

REPORT

OF THE

ROYAL COMMISSION ON
ANTHRACITE COAL

FEBRUARY 3, 1937



OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1937

OTTAWA, ONT., February 3, 1937.

The Honourable NORMAN MCL. ROGERS,
Minister of Labour,
Ottawa.

Sir,—I have the honour to present you herewith the Report of the Royal
Commission on Anthracite Coal.

Yours faithfully,

H. M. TORY
Commissioner.

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REPORT OF THE ROYAL COMMISSION ON ANTHRACITE COAL

INTRODUCTION

On the authority of a communication from the Minister of Labour, an inquiry was undertaken on the subject set forth in an Order in Council of which the following is a true copy:—

P.C. 1356

The Committee of the Privy Council have had before them a report dated June 3, 1936, from the Minister of Labour stating:

That an investigation was made in 1933 under the Combines Investigation Act into an alleged combine in the importation and distribution of British anthracite coal in Canada;

That following the investigation certain corporations engaged in the said business were convicted of preventing or lessening competition unduly and to the detriment of the public and of unduly limiting facilities for supplying and dealing in certain classes of coal and coke, under the Combines Investigation Act and under Section 498 of the Criminal Code, in judgments delivered in the Quebec Court of King's Bench on December 12, 1933, and on January 23, 1935; and

That representations have been made by the Premier of the province of Quebec and others to the effect that conditions prejudicial to the public continue to exist in connection with the distribution of anthracite coal in Canada.

The Minister considers it in the public interest that an investigation should be made, and, therefore, recommends:

1. That, under and by virtue of the powers conferred by Part I of the Inquiries Act, Dr. Henry Marshall Tory be appointed a Commissioner under the said Act, with all the powers and authority thereby conferred, to inquire into and report upon all such matters as he shall consider necessary with the view of ascertaining whether conditions prejudicial to the public exist in connection with the importation and distribution of anthracite coal in Canada, and of recommending any action found to be necessary to safeguard the interests of consumers; and
2. That the Commissioner be authorized to engage the services of such technical advisers, accountants or other experts, clerks, reporters, and assistants as he may deem necessary or advisable, at rates to be approved by the Minister of Labour.

The Committee concur in the foregoing recommendations and submit the same for approval.

(Sgd.) E. J. LEMAIRE,
Clerk of the Privy Council.

Under the authority of the Order in Council, Bernard Bissonnette, Esq., K.C., Barrister, Montreal, was appointed Counsel for the Commission; Professor K. W. Taylor was appointed Economic Advisor, and A. L. Burgess, Esq., Secretary. The services of F. A. McGregor, Esq., Registrar, Combines Investigation Act, were also made available to the Commission.

As an "Investigation into An Alleged Combine in the Importation and Distribution of British Anthracite Coal in Canada" had been conducted during 1932 by Mr. McGregor and, as a consequence, a very complete report covering the period previous to 1933 was already in the possession of the Government, it was decided to confine this investigation mainly to the period 1933 to 1936 inclusive. The report made by Mr. McGregor, hereafter referred to as the "1933 Report," was accepted as a basis for the present investigation.

In the report which follows, reference is made to the 1933 Report for the purpose of placing subsequent events in a proper relation to the events preceding. In a few instances the carefully prepared tables in that report are repeated and brought up to date for the purpose of giving continuity. Occasional quotations will be found in order to give complete connection between the evidence collected in that report and the evidence collected for this investigation. This has been found necessary in order to make understandable the facts herein recorded.

The hearings, which began in Montreal on July 8, were conducted in public. Sessions were held in Montreal, Toronto, Quebec, Halifax, Saint John, and Ottawa. During the investigation 106 witnesses were examined. These included all the major importers and wholesalers of anthracite coal in Canada in the cities named; a number of agents of American anthracite companies; the Executive Director of the Anthracite Institute of America, a trade association comprising a majority of the producing companies of the United States; a considerable number of retail dealers in the cities mentioned; representatives of trade organizations established in the interests of the coal trade; representatives of the Better Business Bureaux in Montreal and Toronto; and representatives of the port authorities in the cities receiving water-borne coal.

At the conclusion of the hearings counsel for the Commission and those representing the various persons who appeared before the Commission, were requested to prepare briefs for submission to the Commission. The brief prepared by counsel for the Commission was given to counsel for the companies on which to base their replies.

In all, thirty-eight days were occupied in the hearings. A public invitation was given to any person desiring to lay a complaint or information before the Commission to do so. Representatives of the boards of trade and other municipal organizations were also given an opportunity to be heard. A significant contribution was made by Alderman Biggar of the City of Montreal.

All contracts made between exporters and importers, importers and wholesale dealers, wholesale dealers and retail dealers were carefully examined. Correspondence, when available, between the importing companies and their suppliers, and between the importing companies and retail dealers, was also examined.

Evidence was taken also concerning the importation, manufacture and distribution of coke in Canada in so far as it related to the distribution of anthracite. For the same reason, reference had to be made to the position of bituminous coal.

The books of the various companies were not examined as it was deemed unnecessary, due to the fact that this had been done very carefully by the auditors employed in connection with the investigation under the Combines Act. The audited statements of the companies covering the three years, however, were carefully examined in order to determine their financial position.

Your Commissioner wishes to express his appreciation of the loyal co-operation of all those appointed to work with him.

In the following pages will be found a precise presentation of the facts gathered with the necessary comments and recommendations.

In the interests of clearness the Report is divided into

- I. Sources of Supply.
- II. Selling Organizations in Exporting Countries.
- III. Agreements Between Exporting Organizations and Importing Companies.
- IV. Agreements Existing Between the Principal Canadian Importing Companies.
- V. Importations—Availability, Price, Quality.
- VI. Discussion of certain General Problems.
- VII. Conclusions and Recommendations.

SECTION I

SOURCES OF SUPPLY

In order to make clear the problem presented to your Commission it would, perhaps, be well to begin with a definition of anthracite coal.

A complete series of coals is found in nature varying from lignite, a very soft coal, through bituminous, to a very hard type at the end of the series. The hardest form of coal is known as anthracite. It is highly valued as a domestic fuel because it burns with almost no soot or dust, and longer than any other type of coal. It differs from bituminous, the next lowest grade in the coal series, in containing only a small amount of volatile matter, with the result that it burns with an almost non-luminous flame.

The line between anthracite and bituminous coal has never been very clearly defined. In practice it is drawn mainly on the quantity of combustible volatile matter present. It is usually defined in terms of the ratio of fixed carbon to volatile matter with the proviso that it has no coking quality, a characteristic of most bituminous coals, and that the quantity of combustible volatile matter present does not exceed a fixed limit. A typical analysis of middle grade Welsh anthracite is as follows:—

Fixed Carbon..	86.37
Volatile..	8.63
Moisture..	2.00
Ash..	3.00
B. T. U's..	14,476

Here the ratio of fixed carbon to volatile is $\frac{86.37}{8.63} = 10$.

The lower limit to which this ratio can go, and the coal still be called anthracite has been variously defined by different authorities. In the opinion of your Commission, a reasonable definition would place the lower limit at 8, that is, the amount of volatile matter should be not more than one-eighth of the fixed carbon.

Anthracite is found in small, concentrated areas in a number of widely separated parts of the world. It is only produced where the accumulated vegetable matter, out of which all coals are composed, has been subject to intense strain and compression developing great heat and pressure within the coal beds. Excepting for small, isolated areas in the Rocky Mountain region, it is not found in Canada.

The principal fields from which anthracite is exported are found in the United States (Pennsylvania); Great Britain (South Wales and South West Scotland); Germany (Westphalia); Russia, (Donetz Basin); Belgium; Netherlands and Indo-China. The following table shows the annual production in net tons in these various countries in recent years:—

	1929	1931	1933	1935
United States.....	73,828,000	59,645,000	49,510,000	51,000,000
South Wales.....	6,268,000	5,648,000	6,862,000	6,579,000
Scotland.....	775,000	880,000	1,037,000	1,035,000
Russia (*).....	11,000,000	15,000,000	20,000,000	No figures
Belgium.....	8,525,000	6,568,000	5,876,000	"
Indo-China.....	2,096,000	1,848,000	1,699,000	1,775,000
Germany.....		Figures not available		
Netherlands.....		Figures not available		

*estimated.

The annual world output of anthracite is approximately 80 million tons, as against a total output of 1,250 million tons of all coals. The anthracite production is approximately 6 per cent of the total coal production of the world.

Anthracite is a special-purpose coal, used mainly for domestic purposes, and is specially valuable in countries with a cold climate.

In certain parts of Canada anthracite has been in use for a long time. Under normal conditions of production the problem of securing sufficient to meet Canadian needs has not been a difficult one. For the last fifteen years, between three and four million tons annually have been required. However, under the abnormal conditions at various times resulting from strikes in the producing areas, Canada has found herself in a very embarrassing position.

Until 1923 the imports of anthracite into Canada came almost wholly from the United States, only a very small amount coming from the United Kingdom. Strike conditions, however, in the early '20's, coupled with certain suggestions that an embargo might be put upon the shipment of anthracite from the United States into Canada, resulted in an effort on the part of Canadian dealers, encouraged by the Canadian Government, to increase their supplies from the United Kingdom. Beginning in 1923 the supplies from that source have gradually increased until, according to the Dominion Bureau of Statistics, in the calendar year 1935 of the 3,451,318 tons imported, 1,454,521 tons came from the United Kingdom, and 1,670,085 tons from the United States.

Shipments of anthracite from Germany into Canada began in 1926. In 1935 importations into Canada from the same source amounted to 228,000 tons, as reported by the importing companies.

In 1928 Russian coal also began to appear on the Canadian market and, in the calendar year 1930, 291,407 tons of anthracite were imported. This importation ceased when an embargo was placed on Russian coal in 1931.

A new factor in the situation appears in 1935-36 by the importation of considerable quantities of anthracite from Indo-China.

Prior to 1923 when Canada was almost wholly dependent on American anthracite, prices to Canadian buyers were fixed and controlled by a group of American producers. There was competitive salesmanship in abundance, but price competition was not a serious factor.

The competitive situation changed somewhat after Welsh and Scotch anthracite began to appear in the Canadian market (and in the New England market), though the active factor in the establishment of anthracite prices was still the American line-company price. Competition was further extended when German and Russian anthracite began to be imported in considerable quantities. The competitive strength of these new sources of supply was limited by the costs and problems of transportation; by price control in the exporting countries; and by exclusive agreements between dominant exporting groups and certain importing companies. As a result the development of free competition has suffered considerable obstruction.

The following table shows the actual importations into Canada from the various sources mentioned above over a period of years.

IMPORTATIONS OF ANTHRACITE INTO CANADA
(In Thousands of Net Tons)

(Based on statistics in "Trade of Canada"), Dominion Bureau of Statistics.

Calendar Years	Total	U.S.A.	U.K.	Germany	Russia	Belgium	Nether-lands	Indo-China
1927	4,064	3,266	788	5			5	
1928	3,737	3,203	527		6		1	
1929	4,020	3,173	730		117			
1930	4,256	2,956	996	11	291			1
1931	3,178	2,226	876	61				5
1932	3,133	1,685	1,399	52		1		1
1933	3,039	1,430	1,606					
1934	3,537	1,804	1,643	72		18		
1935	3,451	1,670	1,454	205		67		54
1936	3,561	1,686	1,331	360		45	16	123
The Above Expressed in Percentages:								
1927		80.4	19.4	0.1			0.1	
1928		85.8	14.1		0.1			
1929		79.0	18.1		2.9			
1930		69.4	23.4	0.3	6.9			
1931		70.4	27.6	1.9				0.1
1932		53.7	44.6	1.7				
1933		47.1	52.9					
1934		51.0	46.5	2.0		0.5		
1935		48.4	42.1	6.0		1.9		1.6
1936		47.3	37.4	10.1		1.3	0.4	3.5

The foregoing survey shows that the anthracite requirements of Canada can be supplied from several sources. An important qualification, however, must be noted. Due to the growing use in Canada of the domestic "blower" system with a fixed grate, an increasing proportion of domestic demand is for the small sizes of clinkering coals, i.e., coals with a low ash fusion point. This requirement is met by Welsh, German, Russian, Belgian and some of the Indo-China buck-wheat sizes. Furnaces with movable grates can, of course, burn any type of anthracite.

In addition to the increased competition between anthracites from a number of different countries, anthracite as a whole has been subjected to increasing competitive pressure from other types of fuel.

The increased use of coke for domestic heating is very marked. In 1926, coke comprised 18.8 per cent of the solid fuels sold for domestic heating in Ontario. In 1935 the percentage was 31.1. The increased number of domestic installations burning high grade smokeless bituminous coals has displaced a considerable tonnage of anthracite.

The following tables illustrate very clearly important shifts in the types of fuels used in various parts of eastern Canada. The figures are based on returns supplied by retail dealers to the Dominion Fuel Board and are in the form of percentages of total solid fuels sold. The most striking shifts are: the declining importance of American and increasing proportion of British anthracite, especially in the province of Quebec, and in Ottawa, Toronto, Hamilton and Windsor; the remarkable shift from domestic sizes to blower sizes of anthracite; the increasing importance of coke, especially in Ontario; and a mixed trend in the case of bituminous. To some extent bituminous has displaced anthracite, but in other cases blower sizes of anthracite have displaced bituminous.

ANTHRACITE COAL

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PERCENTAGES OF SOLID FUELS SOLD FOR DOMESTIC HEATING PURPOSES, 1926-1935

PROVINCE OF QUEBEC

	1926	1929	1932	1935
Anthracite, Overseas, Domestic.....	9.7	15.9	22.3	23.1
Small.....	1.6	13.9	24.9	35.6
American, Domestic.....	41.8	31.6	18.3	9.5
Small.....	6.1	3.8	2.7	1.4
Bituminous, Canadian.....	13.6	15.0	13.9	8.5
Foreign.....	18.8	11.9	7.6	10.1
Coke, Canadian.....	6.2	6.0	9.4	8.8
Foreign.....	0.7	0.6	0.3
Misc. Solid Fuels.....	1.3	1.2	0.9	2.7
<i>Summary</i>				
Anthracite, Domestic.....	51.5	47.5	40.6	32.8
Small.....	7.7	17.7	27.6	37.0
Bituminous.....	32.4	26.9	21.5	18.6
Coke.....	6.9	6.6	9.4	9.1

PROVINCE OF ONTARIO

	1926	1929	1932	1935
Anthracite, Overseas, Domestic.....	0.8	1.9	4.6	6.2
Small.....	1.0	4.1	8.6
American, Domestic.....	52.6	45.4	23.0	27.2
Small.....	1.9	3.3	3.1	3.4
Bituminous, Canadian.....	1.6	1.8	2.1	3.4
Foreign.....	23.1	22.7	28.1	19.6
Coke, Canadian.....	8.0	10.0	18.3	19.8
Foreign.....	10.8	13.3	11.2	11.3
Misc. Solid Fuels.....	1.0	0.6	0.4	0.5
<i>Summary</i>				
Anthracite, Domestic.....	53.4	47.3	32.6	33.4
Small.....	1.9	4.3	7.2	12.0
Bituminous.....	24.7	24.5	30.2	23.0
Coke.....	18.8	23.3	29.5	31.1

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PERCENTAGES OF SOLID FUELS SOLD FOR DOMESTIC HEATING PURPOSES,
1926-1935--(Continued)

	QUEBEC				MONTREAL			
	1926	1929	1932	1935	1926	1929	1932	1935
Anthracite, Overseas.....	7.6	29.4	45.1	56.5	12.5	33.8	53.4	60.9
American.....	44.4	39.2	50.4	19.6	45.2	31.0	17.0	8.4
Bituminous, Canadian.....	24.9	26.1	25.6	10.2	13.4	13.2	10.3	7.8
Foreign.....	20.9	2.0	6.1	1.9	18.3	11.8	6.6	11.2
Coke, Canadian.....	2.0	1.7	3.7	2.4	8.0	7.6	9.4	9.4
Foreign.....					0.8	0.8		0.4
Miscellaneous Solid Fuels.....	0.2	1.6	1.1	0.4	1.8	1.8	3.3	2.6
<i>Summary</i>								
Anthracite, Domestic.....	48.0	45.4	27.8	29.3	48.8	44.4	41.1	31.6
Small.....	4.0	23.2	35.7	46.8	8.9	20.4	29.3	37.0
Bituminous.....	45.8	28.1	31.7	21.1	31.7	24.0	16.9	19.0
Coke.....	2.0	1.7	3.7	2.4	8.8	8.4	9.4	9.8
	OTTAWA				KINGSTON			
	1926	1929	1932	1935	1926	1929	1932	1935
Anthracite, Overseas.....	5.3	12.5	26.6	34.4	0.2	9.8	12.8	24.1
American.....	57.6	44.0	27.1	19.0	69.6	55.7	46.0	55.4
Bituminous, Canadian.....	6.3	10.5	11.8	16.9	1.0	0.3	1.7	0.7
Foreign.....	17.5	15.7	15.6	12.0	18.1	31.4	34.1	13.9
Coke, Canadian.....	8.3	14.5	17.8	15.7	3.5	1.6	4.5	3.6
Foreign.....	4.1	2.2	0.9	0.3	6.6	0.8		
Miscellaneous Solid Fuels.....	0.0	0.6	0.2		0.4	0.4	0.3	2.3
<i>Summary</i>								
Anthracite, Domestic.....	60.6	44.7	32.3	26.4	68.4	58.7	51.9	65.0
Small.....	2.3	11.8	21.4	27.9	1.4	6.8	7.6	14.5
Bituminous.....	23.3	26.2	27.4	20.8	19.7	31.7	35.8	14.6
Coke.....	12.4	16.7	18.7	16.0	10.1	2.4	4.5	3.6
	TORONTO				HAMILTON			
	1926	1929	1932	1935	1926	1929	1932	1935
Anthracite, Overseas.....	0.7	3.7	13.5	19.0	0.1		3.0	5.6
American.....	55.7	48.6	26.2	26.5	57.7	39.3	25.4	30.5
Bituminous, Canadian.....	0.2	0.1	0.8	0.4	1.0		0.8	3.6
Foreign.....	20.8	20.9	28.5	15.4	20.0	17.5	14.6	5.4
Coke, Canadian.....	7.2	8.2	14.0	22.2	11.3	38.8	53.4	53.0
Foreign.....	12.6	17.2	16.1	16.2	9.2	3.0	2.4	0.6
Miscellaneous Solid Fuels.....	2.8	1.3	0.9	0.3	0.7	1.4	0.4	1.4
<i>Summary</i>								
Anthracite, Domestic.....	54.3	46.0	29.2	30.7	54.1	31.5	22.7	28.9
Small.....	2.1	6.3	10.5	14.8	3.7	7.8	5.7	7.2
Bituminous.....	21.0	21.0	28.3	15.8	21.0	17.5	15.4	9.0
Coke.....	19.8	25.4	30.1	38.4	20.5	41.8	55.8	53.5
	PETERBOROUGH				LONDON			
	1926	1929	1932	1935	1926	1929	1932	1935
Anthracite, Overseas.....	0.2		5.6	11.6			0.7	1.2
American.....	69.6	68.1	54.4	53.3	49.0	43.9	28.5	41.2
Bituminous, Canadian.....	1.6	0.7	0.6	2.5	1.2	0.4	0.9	2.1
Foreign.....	18.1	18.0	22.1	17.5	26.3	24.5	26.2	15.3
Coke, Canadian.....	3.5	2.3	13.4	12.4	5.8	9.6	29.7	24.3
Foreign.....	6.6	10.5	3.5	1.2	17.0	20.4	13.2	15.4
Miscellaneous Solid Fuels.....	0.4	0.4	0.4	1.5	0.7	1.2	0.8	0.5
<i>Summary</i>								
Anthracite, Domestic.....	68.4	66.9	55.9	57.9	48.4	41.6	26.2	37.4
Small.....	1.4	1.2	4.1	7.0	0.6	2.3	3.0	5.0
Bituminous.....	19.7	18.7	22.7	20.0	27.5	24.9	27.1	17.4
Coke.....	10.1	12.8	16.9	13.6	22.8	30.0	42.9	39.7

ANTHRACITE COAL

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PERCENTAGES OF SOLID FUELS SOLD FOR DOMESTIC HEATING PURPOSES, 1920-1935—Concluded

	WINDSOR			
	1920	1929	1932	1935
Anthracite, Overseas.....			0.1	0.5
American.....	49.0	14.9	5.0	5.5
Bituminous, Canadian.....	1.2			
Foreign.....	26.3	36.0	53.6	49.5
Coke, Canadian.....	5.8	0.1	3.1	2.6
Foreign.....	17.0	47.7	35.6	41.0
Miscellaneous Solid Fuels.....	0.7	0.4	1.7	0.9
<i>Summary</i>				
Anthracite, Domestic.....	48.4	14.6	5.1	5.3
Small.....	0.6	0.3	0.9	0.7
Bituminous.....	27.5	36.9	53.6	49.5
Coke.....	22.8	47.7	38.7	43.6
	HALIFAX		SAINT JOHN	
	1929	1935	1929	1935
Anthracite, Overseas.....	13.0	27.0	24.6	17.1
American.....	5.4	1.4	21.9	12.4
Bituminous, Canadian.....	62.5	45.1	42.6	59.2
Foreign.....	9.6		9.0	4.3
Coke, Canadian.....	7.4	3.6	1.6	1.6
Foreign.....	1.0	5.3		
Miscellaneous Solid Fuels.....	0.1	17.6	0.3	5.4
<i>Summary</i>				
Anthracite, Domestic.....	19.2	15.3	44.5	23.4
Small.....	0.2	13.1	2.0	6.1
Bituminous.....	72.1	45.1	51.6	63.5
Coke.....	8.4	8.0	1.6	1.6

Anthracite is not only subject to competition from coke and bituminous coal, but has to meet the competition of gas and fuel oil. No satisfactory statistics are available for the consumption of gas for domestic heating purposes, but we are informed that it is increasing considerably. (Evidence p. 2756.)

Fuel oil has made striking inroads as a competitive fuel for domestic heating. The following table indicates its position in recent years:

FUEL OIL DELIVERED AND USED FOR DOMESTIC HEATING

(Based on statistics compiled by Department of Mines)

Year	In Millions of Gallons			Equivalent in Tons of Coal			
	Maritime Provinces	Quebec	Ontario	Maritime Provinces	Quebec	Ontario	Total Eastern Canada
1930.....	2.73	21.48	33.12	20,000	153,000	237,000	410,000
1931.....	2.62	29.07	27.93	19,000	206,000	200,000	427,000
1932.....	2.71	26.53	31.68	19,000	189,000	226,000	434,000
1933.....	3.88	44.25	31.97	28,000	316,000	228,000	572,000
1934.....	6.32	44.48	39.42	45,000	318,000	282,000	645,000

Most of the fuel oil for domestic heating is sold in the larger cities. In 1934 deliveries in Montreal were 37 million gallons (coal equivalent 266,000 tons); Toronto 18 million gallons (coal equivalent 128,000 tons); Ottawa 4,500,000 gallons (coal equivalent 32,000 tons); Quebec 3,250,000 gallons (coal equivalent 23,000 tons); Hamilton 3 million gallons (coal equivalent 22,000 tons); Halifax 3 million gallons (coal equivalent 22,000 tons).

SECTION II

SELLING ORGANIZATIONS IN EXPORTING COUNTRIES

The chief factors entering into the establishment of anthracite prices in Canada are the costs of production, the costs of transportation, price agreements or control in the exporting countries, and exclusive selling agreements between exporting groups and importing companies. Into the costs of production in the exporting countries and into the costs of transportation your Commission has made no special inquiry; but the forms of price control in the exporting countries and the nature of the exclusive agreements between dominant exporters and importers have been studied with considerable care.

In all the producing countries from which Canada draws supplies there is a high degree of concentration of control of both production and selling prices.

(A) United States:

In Pennsylvania, production and selling is dominated by the seven so-called "line" companies (i.e. companies historically associated with the major railroad lines tapping the anthracite fields). These are: The Glen Alden Coal Company, Philadelphia and Reading Coal and Iron Company, Hudson Coal Company, Lehigh Valley Coal Company, The Pittston Coal Company, Lehigh Navigation Coal Company, and Susquehanna Collieries Company. These companies produce from 3,500,000 to 8,000,000 tons each, annually. Until recently they controlled the production and sale of about 75 per cent of all American anthracite. Since 1929 the percentage has declined, reaching a low of 59.4 per cent in 1933 and recovering to 63.3 per cent in 1935. In addition there are 12 to 15 companies producing from 500,000 to 1,500,000 tons annually. This group of companies in the last four years has contributed 18 to 20 per cent of the output.

Finally, there are over a hundred small companies producing less than 500,000 tons a year, each. The percentage produced by this group in recent years has also risen to 18 or 20 per cent.

The following table gives the production for the years 1929 to 1935 with the percentage of total production.

PRODUCTION OF ANTHRACITE IN THE UNITED STATES

Year	Production in millions of net tons				Percentage of total production by each group		
	Line Companies	Large Independents	Companies under 500,000	Total	Line Companies	Large Independents	Others
1929.....	53.08	9.30	11.45	73.83			
1930.....	49.43	8.85	10.85	69.13	71.9	12.0	15.8
1931.....	41.59	9.16	8.89	59.64	71.4	12.8	15.8
1932.....	31.53	8.68	9.24	49.50	69.8	15.4	14.8
1933.....	29.41	0.75	10.35	40.51	63.8	17.5	18.7
1934.....	36.54	11.52	9.32	57.38	59.4	19.7	20.9
1935.....	32.30	9.66	9.04	51.00	63.7	20.1	16.2
					63.3	18.0	17.8

During the period in which production was more fully in the hands of the line companies, prices were fixed for sale both within the United States and for export by joint action of the companies. Under the National Recovery Administration collective agreements among the producers were encouraged

under various "codes." After the Supreme Court of the United States had pointed out the constitutional limitations to such regulation by the Federal Government, the Pennsylvania anthracite producers took it upon themselves to organize a scheme of control through the Anthracite Institute. All the line companies, most of the large independent producers, and many of the larger coal brokers and distributors are members of the Anthracite Institute. In all, the membership controls 85 per cent of the anthracite tonnage produced.

The control system set up by the Institute is simply what has long been known as the "open price plan." Every member is required to file with the Institute full particulars of prices, terms of sale, and sales policies. These particulars are transmitted to every other member, and are open to inspection by others. Every member must abide strictly by the prices and terms filed, and must treat all customers of the same class exactly alike. If a member wishes to alter his prices or terms he must first file such changes with the Institute.

The legality of the open price system has not been passed upon specifically by the higher courts of the United States, but there is little doubt that it is primarily designed to maintain prices, to minimize price competition; and under favourable circumstances, it can be quite effective to this end.

While the Anthracite Institute has other functions, such as general propaganda in the interests of Pennsylvania anthracite producers, its main purpose is clearly the securing of common policies affecting all matters in the industry, of which price maintenance is probably the most important.

Representatives of the American companies giving evidence before your Commission stated that the Institute was not a "price fixing" organization, but it was admitted that there was "an exchange of views" between the major companies, and that while each company issued its own price list, yet the prices of all the line companies and most of the major independents were almost invariably identical. (Evidence pp. 3227-3229.)

There is, it should be added, a considerable number of independent companies that quote prices from 25 cents to 75 cents below the line company prices. The executive director of the Anthracite Institute estimated that the volume of such "off-circular" coal was about 10 per cent of the total production. (Evidence p. 3230.) The presence of these companies doubtless has some influence on the prices adopted by the major producers.

(B) Great Britain:

(a) South Wales:

Until 1923 the Welsh anthracite industry consisted of some 50 relatively small and independent producing units. In 1923 Sir Alfred Mond (the late Lord Melchett) began to arrange a series of mergers which, by 1929, had grown into the present Amalgamated Anthracite Collieries Limited which controls about 80 per cent of the production capacity, though in 1934-1935 it produced rather less than 70 per cent of the anthracite coal mined in Wales. The anthracite producers, other than the Amalgamated Collieries, generally sell through coal brokers; the Amalgamated Collieries sells its coal through its own agents in various markets. The general result of the process of amalgamation was a definite reduction of the number of exporters. Some of the independent producers have long-term contracts to sell solely through a single broker. Others contract to sell their entire output in a specific market for a given season through a single broker. Others again sell more or less to all customers. For example, T. T. Pascoe Company is the sole agent for S. R. New Blaenhirnwan and Cefnawr and, in addition, year by year acquires the selling rights of a number of other producers in so far as the Canadian market is concerned.

(b) Scotland:

There are between 20 and 25 anthracite producing companies in Scotland, all of them very small units. Some 15 of these, producing over 90 per cent of the output, are members of a co-operative marketing organization called the Scottish Anthracite Producers' Association. This association has given the entire export rights in the products of its members to the Maris Export and Trading Company. The producers outside the association sell what little anthracite they export through various coal export merchants.

The following table shows the production of anthracite in Great Britain for South Wales and Scotland for the years 1928 to 1935:—

PRODUCTION BRITISH ANTHRACITE, 1928-1935
(Net Tons)

Year	Total	South Wales	Per cent of total	Scotland	Per cent of total
1928.....	7,301,157	6,558,199	87.0	745,050	12.1
1929.....	7,041,690	6,267,129	89.0	774,560	11.0
1930.....	7,168,790	6,236,426	87.0	932,370	13.0
1931.....	6,528,670	5,648,434	86.5	880,241	13.5
1932.....	7,411,008	6,375,856	86.0	1,035,151	14.0
1933.....	7,899,408	6,862,685	86.9	1,036,722	13.1
1934.....	7,081,910	6,869,994	86.5	1,111,934	13.5
1935.....	7,014,224	6,579,321	86.4	1,034,906	13.6

(c) Great Britain—Selling Agencies:

As previously stated, of the production in South Wales in 1933, 1934, and 1935 approximately 70 per cent was produced by one company, Amalgamated Anthracite Collieries, who have their own selling organization. The remaining 30 per cent was produced by a number of small companies and sold through commission agencies.

Of the 30 per cent produced by the small companies, approximately one-third, or 10 per cent, of the whole was produced by one company, Messrs. Evans and Bevan; one-third by a number of the smaller companies who sell through various agencies, and the remaining third, by other small companies producing a grade of coal too expensive for Canadian requirements and sold wholly on the European market. Of the total Welsh production of anthracite coal, it is estimated that not more than 40 per cent is suitable for the Canadian market, the remaining 60 per cent being of a grade absorbed in the special markets of England and European countries.

The degree of competition in Wales, prior to August, 1936, depended on the extent of the co-operation existing between the Amalgamated Collieries and the selling agencies of the independent producing companies.

Under the Coal Mines Act of 1930 the Board of Trade was given authority, subject finally to the approval of Parliament, to issue orders for the establishment of a centralized selling scheme to regulate production, sales and prices. This scheme went into effect on August 6, 1936, on a nation-wide scale.

The scheme provides for a Central Council and District Committees. The Central Council is given supervisory power over the District Committees, but does not interfere with the detailed working out of the local district schemes. In South Wales, a sales committee, consisting of a chairman and six members—none of whom is connected with any coal-selling organization—has been brought into existence. Sales will be made by trade organizations as formerly, but all transactions, both internal and export, must be approved by the District Committee. Production is to be regulated on a quota basis. All distributors are to

be licensed. Minimum prices for each grade of coal in each market will be fixed by the district committee. The district committee may fix maximum commissions to be paid any sales organization, jobber or distributor. The district committee is empowered to impose a penalty of 5s. per ton for selling below the minimum price. The committee also has power to make a levy on internal sales for the purpose of assisting the export trade. In case of dispute between the district committee and any individual operator, provision is made for prompt settlement by arbitration from which there is no appeal.

Contracts concluded prior to August 1, 1936, are not subject to the control of the Central Council, and since these were heavier in 1936 than usual, the new regime is not expected to be effective until the 1937 season.

This organization, therefore, is having no effect upon current coal prices, but all purchases for 1937 will be subject to its regulations. The effect of this organization on the price of coal shipped to Canada remains to be seen. One thing is clear: that the price control in South Wales under government supervision will be more rigid than exists now in the United States under the organization of the Anthracite Institute.

In Scotland, as already stated, practically the entire export business is in the hands of a producers' co-operative, selling through the Maris Export and Trading Company.

The question of competition between these various agencies will be discussed later.

(C) Germany:

Anthracite coal is extensively produced in Germany in Westphalia. The best grade of this coal is similar in quality to the Big Vein anthracite coming from Wales into Canada.

No figures are available to us of the quantity of German anthracite produced.

With regard to export of anthracite, producers are required to be members of the Kohlensyndikat, the German Coal Cartel, which has five selling agencies dealing in the export market. We have no information in detail as to how this cartel operates. We do know that the T. T. Pascoe Company of Swansea has acquired, apparently for a long term, the selling rights of two of the leading mines: the Sophia Jacoba and Langenbrandt. How far these selling agencies are permitted to compete with each other in external markets, we have no means of knowing. Every ton of anthracite, however, shipped out of Germany is under licence and, doubtless, under price control. Barter arrangements for the exchange of certain products in return for coal are known to exist.

(D) Belgium:

Belgium produces anthracite on a considerable scale. For the last three years the production of anthracite and semi-anthracite has been approximately 5 million tons annually. Belgian anthracite exports are a monopoly of the Belgian State Railways. There is, therefore, no competition among producers in that country.

(E) French Indo-China:

Recently there has been a considerable development of anthracite coal production in French Indo-China. During the last three years the average production has been approximately 1,500,000 tons.

The producing mines are operated by concessionaires, the concessions having been granted by the French Government. So far as competition affecting the Canadian market is concerned, the freight rate is the controlling factor.

(F) Russia:

In recent years Russia has become an increasingly important producer of anthracite. In 1928 she produced over 8 million tons, being the second largest producer in the world. Accurate figures are not available for production at the present time, but it is known to have greatly increased in recent years and, probably, amounts now to 20 million tons annually. The production of anthracite in Russia is a state monopoly, and prices, quantities, and all other matters relating to exports are under state control.

From the foregoing analysis it will be seen that organizations for fixing export prices exist in all anthracite exporting countries. To safeguard Canadian consumers against the dangers of controlled prices it is necessary, as far as possible, to retain competition between different sources of supply. There is no evidence of any international agreement on anthracite export prices; on the contrary, there is every indication of keen price competition between the various exporting areas. It is all the more necessary, therefore, to ensure that exclusive rights to import from more than one area do not fall into the hands of any one importer or any coalition of importers. The propriety, in the public interest, of exclusive agencies in respect of major sources of supply will be discussed later.

SECTION III

AGREEMENTS BETWEEN EXPORTING ORGANIZATIONS AND
CANADIAN IMPORTING COMPANIES

1. Amalgamated Anthracite Collieries Limited and British Coal Corporation:

The history of the development of the Welsh anthracite importations into Canada, and the agreement between the Amalgamated Collieries Limited and the British Coal Corporation will be found set out completely on pages 25, 26, 27, and 102 to 105 of the 1933 Report, and it is therefore not necessary to repeat the story here. This agreement between the Amalgamated Collieries and the British Coal Corporation was cancelled by letter of 29th January, 1934, following the decision of the Courts on the prosecutions instituted as a result of the 1933 Report. Following the cancellation of the agreements, the Amalgamated Collieries and the British Coal Corporation continued the distribution of anthracite. On February 5, 1935, a new agreement was signed.

Under the terms of the new agreement Amalgamated Collieries appointed "British Coal Corporation their sole and exclusive agents in Canada for any and all the British anthracite owned, mined or controlled by Amalgamated Collieries (except coal produced at New Blaenhirwaun Colliery) for a period of ten years commencing on the second day of January, 1935." (Exhibits 11 and 12.) For the purpose of the agreement, Canada was defined as "that part of Canada situated between the Atlantic Seaboard and Winnipeg and including Newfoundland but shall not include Toronto and the district usually served therefrom or the Maritime Provinces of Nova Scotia and Prince Edward Island."

The Amalgamated Collieries is required to deliver to the British Coal Corporation during the period of navigation on the St. Lawrence and at such ports as the British Coal Corporation may indicate, a quantity estimated at 450,000 gross tons of anthracite exclusive of shipments to Toronto, Nova Scotia and Prince Edward Island. The arrangement as to quantity can be modified by mutual agreement. The price is to be fixed each year, for the ensuing season, between the months of November and February, "but the average price f.o.b. for the various sizes and qualities shall not be higher than the average f.o.b. price A.A.C.* is obtaining on the Swansea Market at the time prices are being discussed for similar coals for delivery over the same period having regard to the proportionate quantity of each size." The agreement is mutually exclusive subject to certain stipulations regarding circumstances beyond the control of the contracting parties. The British Coal Corporation undertakes "not to handle trade in or distribute except with the prior consent of A.A.C., which consent shall not be unreasonably withheld, any European anthracite, semi-anthracite or anthracite or dry steam coal other than may be supplied to B.C.C.† by A.A.C. and B.C.C. undertakes that no subsidiary or associated company or party controlled by it shall in Canada deal in any such European coal without the consent of A.A.C." (Exhibit 11, Clause 2 (c).)

A supplementary letter, bearing date of February 5, 1935, adds to the agreement the following clause:

"If after prices for the season have been fixed the A.A.C. Anthracite or any portion of it is disposed of in Canada at abnormally increased prices due to some specific reason the prices originally fixed shall be reconsidered with a view to A.A.C. receiving a reasonable share of the increased prices received by B.C.C." (Exhibit No. 11.)

*Amalgamated Anthracite Collieries Ltd.

†British Coal Corporation.

A further letter bearing the same date, February 5, 1935, signed by Sir Alfred Cope for Amalgamated Anthracite Collieries, states:

"It is agreed that during the operation of the Agreement made between British Coal Corporation and Amalgamated Anthracite Collieries Limited . . . Amalgamated Anthracite Collieries Limited shall pay to British Coal Corporation a commission of twelve cents (12c.) per gross ton on all A.A.C. anthracite sent by us or our agents to Toronto and district, and ten cents (10c.) per gross ton on A.A.C. anthracite sent by us or our agents to Nova Scotia and Prince Edward Island, but such coal shall not be sold or disposed of in the territory allotted to you. . . ." (Exhibit No. 11.)

On the 8th February, 1935, a memorandum, signed by the Honourable Lorne C. Webster as President of British Coal Corporation, and Sir Alfred Cope for Amalgamated Anthracite Collieries, accepted the new agreement as a substitute for the old.

The main differences between the new agreement and the old are:—

(a) The British Coal Corporation does not agree to bind its *customers not to sell European coal* other than that obtained from Amalgamated Collieries without the consent of Amalgamated Collieries, but it does so bind itself and its subsidiary or associated companies or other parties controlled by it.

(b) There is no clause binding British Coal Corporation to appoint The F. P. Weaver Company Limited and Canadian Import Company Limited as its joint agents for the sale of the coal purchased from Amalgamated Collieries, but it was certainly understood that the joint selling agency would be continued as indicated in the letter quoted below.

(c) The clause requiring the fixing of prices, wholesale and retail, and the relation of such prices to the prices of American coals, is also eliminated.

The extent, if any, to which the cancelled clauses of the old agreement remained operative must be inferred from the facts set out later in this report.

In a letter dated February 12, 1934, British Coal Corporation appointed the Canadian Import Company and the F. P. Weaver Company "as joint agents for British Coal Corporation in connection with the distribution of Welsh anthracite coal, on terms to be arranged from time to time. Any and all losses in connection with sales made by you are to be for your account; The British Coal Corporation are not to be under any liability in respect thereof." (Exhibit No. 13.) This action followed the receipt of a letter from Amalgamated Collieries by British Coal Corporation dated January 29, 1934, in which the following paragraph appears:—

"We trust that suitable and proper arrangements will be made between the parties whereby the Weaver Company will continue to act as joint distributor with the Canadian Import Company of our coals in the arranged area."

It will be seen, therefore, that, in so far as the selling arrangements are concerned, the two agents of the British Coal Corporation stand practically in the same position as under the old agreement, as set out in the 1933 Report.

2. Amalgamated Anthracite Collieries Limited and The Milnes Coal Company Limited, Toronto:

The relation of these companies is set out in the 1933 Report, page 149, in the following terms:—

"In 1930 Amalgamated Anthracite Collieries entered into an agreement with Standard Fuel Company, Limited, and the Milnes Company (the latter being a subsidiary of the former) whereby these companies were given the exclusive distributing rights for Amalgamated coal in 'Toronto and the district usually served therefrom' for a period of five years. This agreement was renewed in 1932 for a further period of five years. The Milnes Coal Company, which is an active importer of Amalgamated anthra-

cite under this agreement, thus holds the exclusive distributing rights for this coal until 1940."

Under the arrangement the Milnes Coal Company agreed not to distribute any other European anthracite and to use their best endeavour to supply other dealers in Toronto who had previously been importing directly. The amount involved was 50,000 tons annually. (Exhibit No. 230.)

The Milnes Coal Company of Toronto was apparently the first to import Welsh anthracite into that city, importing through T. T. Pascoe Company and, later, through the T. P. Rose-Richards Company. On the formation of Amalgamated Anthracite Collieries, the agreement between the British Coal Corporation, the Canadian Import Company and the F. P. Weaver Company gave British Coal Corporation the exclusive distribution in the Montreal and Quebec areas, the Toronto area being left to the Milnes Company. Under this agreement, as previously stated, British Coal Corporation was given an overriding commission of twelve cents a gross ton on all Amalgamated Collieries coal imported into the Toronto area. This concession to the British Coal Corporation by the Amalgamated Collieries was unknown to Mr. Milnes.

3. Amalgamated Anthracite Collieries Limited and The F. P. Weaver Company Limited:

As stated previously, the F. P. Weaver Company originally had an agency for Amalgamated Collieries anthracite in Montreal, which was later converted into a sub-agency for British Coal Corporation.

The F. P. Weaver Company, having also a branch office in Toronto and desiring to have the wholesale business for Amalgamated Collieries in the Toronto area, an arrangement was arrived at by the F. P. Weaver Company, Amalgamated Collieries, and the Milnes Company whereby the wholesale distribution of Amalgamated Collieries anthracite in the Toronto district was to be undertaken by the F. P. Weaver Company for a period of three years, the Milnes Company agreeing to confine their efforts to retail trade. According to the evidence of Mr. Milnes this agreement was forced upon the Milnes Company by Amalgamated Collieries. Up to that time the Milnes Company had been the sole distributor of Amalgamated Collieries anthracite in the Toronto district. In return for the wholesale concession, the F. P. Weaver Company agreed to pay the Milnes Company a commission of twenty cents per ton on all coal sold by the F. P. Weaver Company in the Toronto district (1933 Report, p. 149). This agreement was renewed in a modified form for three years in December, 1932. The modification permitted the F. P. Weaver Company to import directly into the Toronto area and, in return for this concession, Amalgamated Collieries agreed to an overriding commission to the Milnes Coal Company of 1/8d. per gross ton on all the Amalgamated Collieries anthracite distributed in the Toronto area, the F. P. Weaver Company in turn agreeing to pay Amalgamated Collieries 10d. per gross ton more than that charged the Milnes Company. This arrangement was further modified by an understanding that the Milnes Company might sell wholesale, but that on such sales in excess of 20 per cent of its tonnage, the Milnes Company was to refund to the F. P. Weaver Company 10d. per gross ton. The Milnes-Weaver agreement of 1932 expired in December, 1935, and has not been renewed. (Evidence pp. 2188-2192.)

The F. P. Weaver Company, therefore, has a joint agency with the Canadian Import Company, through British Coal Corporation, for Amalgamated Collieries in the district of Montreal and, subject to an agreement between Amalgamated Collieries and the Milnes Coal Company, the right of importation and wholesale distribution in the Toronto area.

4. Amalgamated Anthracite Collieries Limited and The Elias Rogers Company, Limited:

The Elias Rogers Company, Limited, of Toronto has an agreement with the Amalgamated Collieries for the importation of Welsh anthracite into Toronto. The Milnes Coal Company regard this agreement as a direct violation of their contract with Amalgamated Collieries. It was made without their knowledge (Evidence p. 2588). Under the terms of the agreement the Amalgamated Collieries undertook to supply Elias Rogers "such quantities as will represent a fair proportion of the Welsh anthracite going to Toronto having regard to equally fair proportions required by Milnes and Weaver of Toronto" (Exhibit 177) and, in addition, the requirements of three retail firms in the city. The agreement is effective until the end of 1937 and thereafter subject to twelve months written notice. The prices to be the same as those for other shipments. However, it appeared in the evidence as submitted to your Commission (page 2583 *et seq*) that substantial commissions were paid on the coal purchased by the Elias Rogers Company to various agents.

5. Amalgamated Anthracite Collieries Limited and S. Cunard and Company, Limited, Halifax:

The Amalgamated Collieries, in making an exclusive agreement with the British Coal Corporation with regard to importations into Canada, exempted the provinces of Nova Scotia and Prince Edward Island, but agreed to pay the British Coal Corporation a commission of 10 cents per ton on all their coal shipped into these two provinces.

Previous to the taking over in 1928 of the Abergwyn Collieries by the Amalgamated Collieries, S. Cunard and Company, Halifax, had been supplied from this mine by Guerrett, Llewellyn and Merrett. This arrangement was continued by the Amalgamated Collieries and, although no written contract or agreement was made in connection with the purchases of Welsh anthracite, there can be no question but that S. Cunard and Company consider themselves the exclusive agents of the Amalgamated Collieries in Nova Scotia and Prince Edward Island, and are so considered by that company.

6. T. T. Pascoe Company Limited and The Hartt and Adair Coal Company, Limited, Montreal and The F. P. Weaver Coal Company, Limited:

The T. T. Pascoe Company, a subsidiary of Furness-Withy, is a firm of Welsh coal exporters and has long been an important agency in developing the sale of Welsh anthracite in Canada. The company acts as agent for a number of Welsh producers and, in addition, has an exclusive agency, as stated on page 19 of this Report, for two of the most important German anthracite mines—the Sophia Jacoba and Langenbrandt. This company up to 1935 sold in Canada exclusively through the Hartt and Adair Coal Company, Montreal, and the F. P. Weaver Coal Company. In 1935-36 Pascoe coal has been supplied to Mongeau and Robert Company through Messrs. Bessler, Waechter, Glover and Company, an associated company.

Previous to 1932, as pointed out in the 1933 Report, page 127, the competition between T. T. Pascoe Company and Amalgamated Collieries was very keen for the Canadian export business, the Amalgamated Collieries having gone so far as to try to prevent T. T. Pascoe Company from purchasing from independent suppliers. Negotiations between the two companies took place and it was finally arranged that the T. T. Pascoe Company would have freedom of purchase of coal from the independent mines, and the agency for certain mines owned by Amalgamated Collieries, providing they ceased sending German coal into Canada.

In 1932 an agreement was entered into with the F. P. Weaver Company under which the T. T. Pascoe Company was to sell in Montreal for the years 1932, 1933 and 1934 only through the F. P. Weaver Company and the Hartt and Adair Company. At the present time both the Hartt and Adair Company and the F. P. Weaver Company are purchasing Welsh anthracite through the T. T. Pascoe Company on annual contracts of purchase. The relation of these purchases to the British Coal Corporation will be discussed later in this Report.

7. T. T. Pascoe Company Limited and A. T. O'Leary and Company, Halifax:

A. T. O'Leary and Company of Halifax are independent importers of Welsh anthracite into Nova Scotia. They have an exclusive agency for all shipments into Nova Scotia made by the T. T. Pascoe Company. Their arrangement with the T. T. Pascoe Company corresponds to the arrangement of S. Cunard and Company with Amalgamated Collieries.

8. Evans and Reid Coal Company, Limited and Susquehanna Collieries Limited:

Evans and Reid Coal Company is a Welsh exporting firm selling principally coal produced by Messrs. Evans and Bevan and Rigos Anthracite Coal Company, Limited, two of the largest independent producers. The quantity purchased each year is a matter of annual agreement between Evans and Reid Coal Company and Susquehanna Collieries Limited.

It is worthy of note that these two companies have each maintained a fully independent status through all the vicissitudes of the anthracite coal trade, there never having been any charge of their entering into combines with other companies.

9. W. R. Barrett and Company, Limited, and Certain Canadian Importers:

W. R. Barrett and Company, Limited, is a coal exporting agency in Wales. During the past three years it has supplied limited quantities of Welsh anthracite to certain importers in Montreal and Toronto, particularly the Co-operative Catholique des Consommateurs de Combustibles, Montreal, and Halliday Brothers Limited, and Lake Simcoe Ice and Fuel Limited, Toronto. The total annual exports of the W. R. Barrett Company to Canada for the past three years have been approximately 100,000 tons.

10. The Maris Export and Trading Company, and The Scotch Anthracite Coal Company, Limited:

The Maris Export and Trading Company of London, England, itself a subsidiary of Stephenson, Clark and Associated Companies, Limited, also of London, has the exclusive agency for the Scottish Anthracite Producers Association. The Maris Export and Trading Company sells in Canada through a subsidiary company known as The Scotch Anthracite Coal Company, Limited, which was specially organized for the purpose of handling the product in Canada of the Scottish Anthracite Producers Association.

As previously stated, the Scottish Anthracite Producers Association is an association of producers entered into by a group of companies for the purpose of marketing on a co-operative basis. The organization controls approximately 90 per cent of the total output of the Scottish anthracite collieries.

The Scotch Anthracite Coal Company of Canada purchases supplies through the Maris Export and Trading Company on a provisional price basis. The coal is handled on joint account, and the profits earned or losses incurred, taking the provisional price as a basis, are divided equally between the Scotch Anthracite Coal Company and the Scottish Anthracite Producers Association. The former has practically exclusive control of all Scotch anthracite coming into Canada.

11. Kohlensyndikat and The Hartt and Adair Coal Company, Limited, and The F. P. Weaver Coal Company, Limited:

No German anthracite was imported into Canada in 1933. The entire imports into Canada in 1934, namely, 85,000 net tons, were imported by the F. P. Weaver Company purchased through the T. T. Pascoe Company, on an agreement of purchase made at the beginning of the year.

In 1935 Hartt and Adair Coal Company also began to import German anthracite. The two companies—F. P. Weaver Company and Hartt and Adair—in 1935 imported jointly 213,000 tons, all of which, except 22,000 tons, was purchased from the T. T. Pascoe Company. Small quantities were also brought in by Mongeau and Robert Company, purchased either from T. T. Pascoe Company or one of the five units of the German syndicate, and by the Milnes Coal Company, purchased through the good offices of Amalgamated Collieries. (Evidence, p. 3902.)

12. Transocean Coal and Transport Corporation, New York, and The Iroquois Fuel and Coal Company, Limited, Montreal:

The Iroquois Fuel and Coal Company Limited of Montreal is a new company, successor to The Iroquois Fuel Import Company, Limited, which operated in 1935. This company is an importer of German anthracite, purchased through Transocean Coal and Transport Corporation, a subsidiary of the Hugo Stinnes Corporation, one of the five agents of the German syndicate. The Iroquois Fuel and Coal Company has contracted to purchase 50,000 tons of German anthracite for the year 1936.

13. The Belgian State Railway and The Iroquois Fuel and Coal Company, Limited:

The Belgian State Railway has the exclusive export sale of anthracite coal in Belgium. The Iroquois Fuel and Coal Company has secured an exclusive contract for the importation into Canada of Belgian anthracite for 1936. Under the agreement the company is obligated to import 70,000 to 75,000 gross tons between the months of April and November, 1936.

14. Société Saremine, Paris, and The Elias Rogers Company Limited:

A contract exists, signed in 1935, between the Saremine Company, Paris, one of the two concessionaires previously mentioned in Indo-China, and the Elias Rogers Company, Toronto, under which the Elias Rogers Company undertakes to import Indo-China coal into Canada.

For the year 1936 the Elias Rogers Company has the sole selling rights in Canada of the Saremine Company, which company controls the Dongtrieu mine. In the course of the negotiations between the Saremine Company and the Elias Rogers Company, Mr. Alfred Rogers made a substantial investment in the Saremine Company. (Evidence, pp. 1915-1919.)

15. Russian Anthracite—The F. P. Weaver Coal Company Limited:

Prior to 1931 Russian anthracite bid fair to be a keen competitor with other anthracites on the Canadian market. Beginning with 6,000 tons in 1928 the F. P. Weaver Company increased its importations until, in 1930, the amount was 295,000 tons. In February, 1931, an embargo was placed on Russian coal, and importations ceased.

In September, 1936, the embargo was lifted and the Russian authorities at the same time announced, (a) that shipments to Canada would be limited to a maximum of 250,000 metric tons in any one calendar year; (b) that no Russian coal would be shipped for consumption in the Maritime Provinces; (c) that the coal would be offered at prevailing competitive prices, i.e., there would be no "dumping"; and (d) that the coal would not be sold through a single agency for the whole of Canada, but contracts would be concluded with several Canadian importers.

Active negotiations have been carried on by numerous Canadian importing firms with the Amtorg officials, but up to January 15, 1937, no contracts had been concluded. Russian coal is expected, however, to be an important factor in the market in the coming season (1937).

It appears from the negotiations that the Russian authorities, so far from "dumping" their coal, are actually asking premium prices. Moreover, they are insisting on proportions of 90 per cent domestic sizes to 10 per cent buckwheats. Canadian importers are chiefly concerned in securing larger supplies of buckwheat sizes. (Evidence, pp. 3915, 4278.)

It is not at all certain which type of anthracite the Russian will displace. But it may be noted that if it displaces primarily Welsh domestic sizes, it not only reduces the sales of Welsh domestic, but increases the difficulty of providing adequate supplies of buckwheats.

16. United States Producers and Canadian Agencies:

In the United States there are, according to the evidence of Mr. Madeira, Ev. p. 3214, over one hundred companies producing anywhere from ten thousand to six million tons annually. A large proportion of these are small companies.

While a considerable number of these companies have no relation to the Anthracite Institute, companies representing over 85 per cent of the production—including all of the so-called "line" companies—belong to the Institute. All the "line" companies, and many of the independent companies, offer anthracite for sale in Canada under one of the following methods:

- (1) Through Canadian agencies;
- (2) Through subsidiary companies organized in Canada to handle their product;
- (3) By means of subsidiary agencies chartered in the United States;
- (4) By means of travelling salesmen.

The following will serve to illustrate these various methods:

(1) The Hudson Coal Company operate through two agencies: The Hartt and Adair Coal Company, in the province of Quebec, and the F. P. Weaver Coal Company in the province of Ontario.

(2) Susquehanna Collieries Company merchandise all their coal through the M. A. Hanna Company of Cleveland. This company has organized a Canadian subsidiary—Susquehanna Collieries Limited—which controls their exports to the provinces of Ontario and Quebec.

(3) Lehigh Navigation Coal Company sells its coal in the provinces of Quebec and Ontario through the Empire Coal Company. This company has a Dominion charter but is owned by the Consolidation Coal Company of New York City.

- (4) This method is used by many of the smaller companies.

As previously stated, the open-price policy of all the major companies functioning through the Anthracite Institute means that there is little or no price competition in the sale of American anthracite. There is, however, active sales competition, and while some companies have exclusive dealers in a few cities and towns, it is always possible for any responsible Canadian dealer to secure supplies.

Summary

The foregoing may be summarized as follows:

The Amalgamated Anthracite Collieries Limited, Wales, has given an exclusive agency in Montreal and Quebec districts and the province of New Brunswick, to the British Coal Corporation. The latter company sells in Quebec through the Canadian Import Company Limited and, in Montreal, through the joint agency of the Canadian Import Company and the F. P. Weaver Coal Company.

In Toronto the Amalgamated Collieries has given an exclusive agency to the Milnes Coal Company. By special agreement the F. P. Weaver Coal Company has been given a wholesale selling agency, and the Elias Rogers Company has also been granted certain importing rights. A commission is paid to the Milnes Coal Company for anthracite imported by both the F. P. Weaver Company and the Elias Rogers Company. The F. P. Weaver Company receives a special commission on imports of the Elias Rogers Company, and the British Coal Corporation receives a commission on all Amalgamated Collieries imports.

Further, S. Cunard and Company, Halifax, has an exclusive agency for Amalgamated anthracite in Nova Scotia, subject to a commission paid to the British Coal Corporation, Montreal.

The T. T. Pascoe Company sells in Canada directly to the F. P. Weaver Company, Hartt and Adair Coal Company and Mongeau and Robert Company, and to A. T. O'Leary, Halifax. The sales made to the F. P. Weaver Company and Hartt and Adair Company are made direct. The sales to Mongeau and Robert are made through a subsidiary company to which a commission is paid.

In addition, certain coal brokers in Wales export to Canada anthracite produced by a number of independent companies.

The Scottish Anthracite Producers Association has one agent in Canada—The Scotch Anthracite Coal Company, Limited, a subsidiary of the Maris Export and Trading Company.

German anthracite is sold only through a coal cartel but apparently the cartel will sell to any responsible dealer. The most important buyers are the F. P. Weaver Company, Hartt and Adair, purchasing through the T. T. Pascoe Company, and the Iroquois Fuel and Coal Company and Mongeau and Robert Company, purchasing direct. In 1936 the F. P. Weaver Company also purchased a limited amount directly through an agency of the syndicate.

Belgian anthracite is a State monopoly, being imported into Canada under an exclusive contract by the Iroquois Fuel and Coal Company.

The Saremine Company of Paris, which controls the production of Indo-Chinese anthracite suitable for the Canadian market, has an exclusive contract with the Elias Rogers Company.

Russian anthracite is a State monopoly. Under agreement with the Canadian Government, it is now possible for any responsible dealer capable of purchasing a cargo, to import anthracite from Russia.

American anthracite is offered freely on the Canadian market.

SECTION IV

AGREEMENTS EXISTING BETWEEN THE PRINCIPAL CANADIAN IMPORTING COMPANIES

The principal Canadian importers of overseas anthracite are:—

GROUP A

- (1) The Canadian Import Company, Limited;
- (2) The British Coal Corporation;
- (3) The F. P. Weaver Coal Company, Limited;
- (4) The Hartt and Adair Coal Company, Limited.

GROUP B

- (1) The Scotch Anthracite Coal Company, Limited;
- (2) Susquehanna Collieries Limited;
- (3) Mongeau et Robert Compagnie Limitee;
- (4) The Iroquois Fuel and Coal Company, Limited;
- (5) Co-operative Catholique des Consommateurs de Combustibles;
- (6) The Milnes Coal Company, Limited;
- (7) The Elias Rogers Company, Limited;
- (8) Lake Simcoe Ice and Fuel, Limited;
- (9) Halliday Brothers Limited;
- (10) S. Cunard and Company, Limited;
- (11) A. T. O'Leary and Company, Limited;
- (12) Roy E. Archibald;
- (13) C. R. Nelson Company, Limited;
- (14) Parker D. Mitchell, Limited;
- (15) Consumers Coal Company, Limited;
- (16) R. P. and W. F. Starr, Limited.

GROUP A:

The relation of the British Coal Corporation, the Canadian Import Company, and the St. Lawrence Stevedoring Company to the F. P. Weaver Company and Hartt and Adair Company, and certain other companies previously importing but now in the retail business, is a matter of such major importance, because of their dominant position in the Welsh anthracite trade at the present moment and the possible future effect of their control, that your Commission feels that a complete exposition is warranted and necessary.

On pages 26 and 27 of the 1933 Report will be found in detail the relation between the Canadian Import Company, the British Coal Corporation, and the St. Lawrence Stevedoring Company. Briefly the facts are as follows:

(1) The Canadian Import Company, a company owned entirely by Senator Webster and members of his immediate family, was originally organized for the purpose of importing and selling coal. Its business includes both anthracite and bituminous coals. Some years ago it purchased outright, as a going concern, the St. Lawrence Stevedoring Company, a company doing general stevedoring on the St. Lawrence river.

The business of this company, as now controlled by the Canadian Import Company, is almost entirely the handling of coal for the companies of the GROUP A, and the transshipment of coal from ocean to lake vessels. The dollar-volume of its business in recent years has averaged 62 per cent anthracite, 33 per cent bituminous, and 5 per cent other commodities.

(2) The British Coal Corporation is a company organized and completely owned by the Canadian Import Company. It was organized for the sole purpose of handling the Canadian Import Company's importations of Welsh anthra-

cite. The reason it was necessary for the Canadian Import Company to organize an intermediary company was that when obtaining the exclusive agency from the Amalgamated Collieries, which had previously been held by the F. P. Weaver Company, the Amalgamated Collieries insisted that the selling agency for the district of Montreal be divided equally between the F. P. Weaver Company and the Canadian Import Company. Since the organization of the British Coal Corporation the Canadian Import Company and the F. P. Weaver Company have acted as joint selling agents for its importations into the Montreal district.

It is therefore clear that these three companies—Canadian Import Company, British Coal Corporation and the St. Lawrence Stevedoring Company—form a single commercial unit completely owned by Senator Webster and his family. In this report they will be referred to as the “*Webster Companies.*”

(3) **The F. P. Weaver Coal Company, Limited.**—The contractual relations between the F. P. Weaver Company and the Webster Companies, mentioned above, as they existed in 1932, are fully set out in the 1933 Report on pages 103 and 104. As previously stated, following the judgments of the courts, the old agreements were cancelled and new agreements were entered into between the Amalgamated Collieries and the British Coal Corporation and also between the British Coal Corporation and the F. P. Weaver Company. Under the latter agreement, the F. P. Weaver Company and the Canadian Import Company again became joint agents for the British Coal Corporation.

The process by which, in 1932, the control of the F. P. Weaver Company was secured by Senator Webster, and the reasons therefor, are set out clearly in the 1933 Report, page 141, as follows:

“Through this transaction, which was begun in February and completed in May, 1932, a controlling interest in the Weaver Company was acquired by Charles M. Barnett, of New York, a personal friend of Senator Webster's, who had acted for him in other important financial transactions. The negotiations with Mr. Barnett were carried on by W. Q. Stobo, first vice-president of the Canadian Import Company, and the funds were supplied by Senator Webster. In his evidence, Mr. Stobo stated that the money was advanced to Mr. Barnett merely as a loan; that Mr. Barnett and not Senator Webster or the Import Company, had secured control. On further questioning, Mr. Stobo stated definitely that ‘he (Mr. Barnett) represented us’ (evidence, p. 4586). Mr. Barnett, it appears, was not free to sell the stock to any other person, and by recalling the loan at any time the Import Company could acquire his interest in the Weaver Company (evidence, p. 207). The preferred shares bought by Mr. Barnett were endorsed by him in blank and were in the keeping of a personal trust company controlled by Senator Webster. Eventually, Mr. Stobo said, they would have possession of the common stock also (evidence, pp. 211-212).”

“The greatest secrecy has been maintained with respect to this change of control. Mr. Stobo was asked ‘Why was this transaction put through Barnett?’ He answered, ‘We were not anxious that the Weaver office should know very much about it. . . . That would spoil the effect of it.’ (evidence, p. 197). Thus the principal officers of the Weaver Company did not actually know what interests were represented by Mr. Barnett. Mr. Barnett stated to Mr. Mickles that he was prepared to make an investment ‘and he represented it was a personal investment.’ (evidence, p. 1837). Mr. Mickles knew at the outset that Mr. Barnett had associations with Senator Webster in other matters, but when asked whether he had been informed at the time of the negotiations ‘just who Mr. Barnett was and whom he represented,’ he answered, ‘No, I was not . . . It was given me sort of on the instalment plan.’ (evidence, p. 632). In referring to Mr. Mickles’ lack of information on this vital point, Mr. Stobo added:

"I would say that he might have a suspicion, but he has no knowledge of the facts as far as I know. I certainly have not told him." (evidence, pp. 202-203).

"Mr. Mickles' further statements throw some further light on the object of the transaction. As far as his business was concerned there was great need for new working capital and the approach of Mr. Barnett was therefore most welcome.

"On the part of the Import Company there were evidently many advantages in securing control of such a business. Asked what was the chief asset which had attracted Senator Webster, Mr. Mickles answered:

'Well, we have a history behind us of some twenty years, a growing business, and extreme diversification of sales as far as fuel goes. . . . I think the whole set-up

'Q. Was your Russian contract an important consideration?—A. I think that all those agreements were important.

'Q. And your strength as a competitor, and having that competitor within control, would be a very important consideration?—A. It might be a tribute to our competition.' (Evidence, pp. 1839-1840).

"Another consideration was doubtless the fact that the Weaver Company's contract with the Amalgamated, as one of its joint distributors, was due to expire in March, 1932. If it were not renewed and if the control of the Weaver Company were not secured otherwise, competition might become a serious matter in Welsh coal and other fuels. Mr. Mickles commented on this aspect:

'You see, there has been absolutely nothing in the nature of any understanding of what the other company might be doing except in so far as we were tied on that British coal—A.A.C. contract. . . . It was expiring in that same spring and he (Mr. Barnett) thought that, and I recognized it, there might be an advantage in having no necessity to keep watching a competitor, in having no contract with him except when we did meet him in the competition for every piece of business, in bituminous or any other type of fuel." (Evidence, pp. 1835-1836).

"Mr. Stobo stated that one of the reasons why his company had become interested in the Weaver Company was that 'they have a very large bituminous coal business and we certainly thought it would be of advantage to us.' To this Senator Webster added: 'An American anthracite coal business too.' (Evidence, p. 209).

"One of the chief attractions appears to have been the opportunity to secure the Weaver Company's contract for the distribution of Russian coal in Canada, this for use 'if at any time Russian coal came into the market.' In Mr. Stobo's evidence the following passages appear:

'Q. Who was anxious for him (Barnett) to acquire this interest?—A. I was.

'Q. In connection with the Webster interests?—A. Yes, and especially in connection with Russian coal.' (Evidence, p. 196).

'Q. Was the idea of obtaining control of the Weaver Company to prevent them exercising their exclusive option for the introduction of Russian anthracite, or was it to get in on the ground floor if that took place?—A. Our thought was—we already had trouble with the Russian coal, to the detriment of Welsh, and our thought was that if at any time Russian coal came into the market we would be in a better position to keep it out or to work against it if we had some hold-on the Weaver Coal Company.' (Evidence, p. 208).

Further evidence on the question was taken during the present inquiry to establish the present position, which is as follows:

In 1932 Mr. Barnett purchased 75 per cent of the common stock of the reorganized company, the F. P. Weaver Coal Company, Limited, Mr. Mickles, the president, retaining the remaining 25 per cent. Mr. Barnett also furnished the new company with working capital to the extent of \$300,000 through the purchase of 3,000 shares, the whole of the preferred stock of the company. In 1934 Mr. Barnett purchased Mr. Mickles' remaining interest. The funds used by Mr. Barnett for these purchases were borrowed from the Imperial Trust Company, a company owned and controlled by Senator Webster and his immediate family. All the shares of the company owned by Mr. Barnett were deposited with the Trust Company as collateral security for the loans made. By March 23, 1936, these loans, with accrued interest, amounted to \$746,251.09. On this date the obligation to the Imperial Trust Company was retired, Mr. Barnett obtaining the funds from the Chase National Bank of New York on the security of his personal note for one year, backed by a collateral note from Senator Webster and the deposit of all the shares of the company.

An interesting feature of the situation is the absolute absence of any correspondence or agreements between Senator Webster and Mr. Barnett in connection with the loan. (Evidence, p. 1136):

"Q. So there is no writing, no instrument whatever?—A. The only writing—

"Q. Pardon me; just to make it clear—no writing, no instrument whatever between you and Senator Webster?—None whatever.

"Q. Or between you and Mr. Aird?—A. None whatever.

"Q. Or Mr. Stobo?—A. None whatever, or anybody representing them."

In effect the present legal situation, apart from any mutual understanding, is that if Mr. Barnett fails to retire his note when due, the obligation is automatically transferred to Senator Webster who, on discharging it, will become the owner of the entire capital stock of the company. In the light of these facts, it is difficult to justify the statement made by Mr. Barnett to your Commission: "I decided to make an earnest effort to free the Weavers from any outside financial interest."

In view of the fact that the original loan of \$592,000 made by Senator Webster in 1932 had grown by 1936 to \$746,251.09, it is difficult to believe that Mr. Barnett ever intended to make any serious effort to discharge the obligation other than by eventually transferring the shares of the company to Senator Webster. Mr. Barnett, in a prepared statement read into the evidence by his counsel, stated:

"Nevertheless in March last, I decided to make an earnest effort to free the Weavers from any outside financial interest, so made arrangements in New York to secure a loan for a year which was guaranteed by Senator Webster personally, with the proceeds of which loan I retired all borrowings from or through Imperial Trust with interest up to date." (Evidence, p. 1133).

In just what way this transaction might contribute toward freeing "Weavers from outside financial interest" is not clear. It is also worthy of note that this decision was reached a few weeks after the Dominion Government had announced, in the Speech from the Throne, that a further inquiry would be made into conditions existing in the anthracite coal trade in Canada.

It is even more difficult to believe that Senator Webster had any expectation that the loan would be repaid and that Mr. Barnett would acquire a controlling interest in the company on his own behalf. Mr. Barnett was first approached by Mr. Stobo, representing Senator Webster, and the proposal for the purchase of the company outlined. He was assured that no personal investment would be expected of him.

"By the Commissioner:

"Q. I think it is quite clear, that those discussions would never have taken place if Senator Webster had not put up the money—A. That is perfectly correct.

"The Commissioner: Mr. Barnett is not putting up money, himself, in it at all.

"The Witness (Mr. Barnett): No. I didn't know anything about it. I didn't know whether the business was worth five cents or five million. I wanted to investigate it, and I could only investigate it by contact.

"Q. But you would not have done that, if they had not been willing to finance it?—A. I made that as the first stipulation, yes."

(Evidence pp. 1192-1193)

This statement is borne out also by the evidence of Mr. Stobo on page 1641.

No arrangements were made, either when the first or when subsequent loans were being negotiated, for any method of repayment. The evidence shows that although the risk of loss was borne entirely by Senator Webster, no provision was made that he should benefit through any profits that the company might earn. Actually, the company's earnings since 1932 have been sufficient to double the value of its tangible assets, but no dividends have been declared and no pressure has been exerted by Senator Webster to secure payment of either principal or the interest.

In view of the fact that the initiative of the whole transaction was undertaken at the request of Mr. Stobo admittedly acting for Senator Webster; that Mr. Barnett did not assume any financial responsibility and stated in evidence that the only condition on which he became party to the transaction was that he was to make no personal investment; that the majority interest originally purchased was purchased with money supplied by Senator Webster; that over a period of years the remaining minority interest in the company was also purchased with money supplied by Senator Webster; that all working capital in the company was supplied from the same source; that no pressure has been brought by Senator Webster to collect either principal or interest; that the large profits which have been earned have been allowed to accumulate and, in the meantime, Mr. Barnett has been paid by the company a salary of \$10,000 a year for his services; it seems to your Commission perfectly clear that Mr. Barnett in the whole transaction was merely acting as agent for Senator Webster. It was never intended that the syndicate suggested in the agreement should become a reality except as an agent for Senator Webster. If this inference is not well founded then it must be assumed that Senator Webster advanced \$750,000 for the pleasure of keeping his chief competitor in business. In other words, Senator Webster having assumed all the risk and up to the present having received no remuneration, it can only be assumed that he expects to be repaid from the enhanced value of the capital stock of the company, of which he is the actual owner.

Process of Co-ordination:

Since 1932, apart from the financial transactions described above, the process of co-ordinating the activities of these two companies has continued. For evidence of this we must take the admitted practice as distinguished from written agreements, as the officers of the companies declared that no written agreements existed and refused to admit any official association other than ordinary business relations.

In this connection, a statement made by Mr. Mickles in his evidence concerning the destruction of correspondence is of such importance that a quotation from it seems necessary:

"Q. You are on very good terms with the Import Company and the British Coal Corporation?—A. Yes, we are.

"Q. And for all these things and covering all these relations you have no agreement whatever, it is all verbal; there are no writings?—A. There is nothing in writing in relation to any of these transactions.

"Q. And no correspondence, nothing?—A. No, there is correspondence in our office up to 60 days only in relation to all inter-office, inter-executive and inter-staff—

"Q. And inter-company?—A. Inter-company, no, I would not say that, but any correspondence that covered our arrangements with the British Coal Corporation, that was not kept beyond sixty days."

(Evidence p. 1014)

(a) From the beginning of the relation of the Canadian Import Company and the F. P. Weaver Company as joint agents of the British Coal Corporation all Welsh coal imported by the latter company was handled by the St. Lawrence Stevedoring Company at Montreal. The price at which this anthracite was sold wholesale in Montreal was the c.i.f. cost at the docks; 85 to 95 cents per ton allowed the St. Lawrence Stevedoring Company for handling charges, which included dock rent, wharfage charges, allowance for degradation and profit; any profit made by the British Coal Corporation; the commission allowed the two agents on their respective sales. The plan of operation made possible profits in succession by the three companies—the British Coal Corporation, The St. Lawrence Stevedoring Company, and The Canadian Import Company, the first two on all imported coal and the latter on approximately 50 per cent of the importations, while the F. P. Weaver Company received its profit on the remaining 50 per cent.

(b) It is pointed out in the 1933 Report (pages 106-113), that from 1928, when the Amalgamated Collieries had acquired control of the major sources of supply, an effort was made to limit as far as possible shipments of Welsh anthracite into Canada to the production of the Amalgamated mines, or independent ones selling to the Amalgamated. To this the British Coal Corporation was a party.

Next to the Amalgamated Collieries, the other important shippers of Welsh anthracite to Canada were the T. T. Pascoe Company, and Evans and Reid mainly agents for Evans and Bevan coal. In addition T. T. Pascoe had a monopoly of German anthracite shipments to Canada. A continuous effort was made by Sir Alfred Cope, Managing Director of Amalgamated Collieries, and Senator Webster either to eliminate shipments to Canada by independent collieries or to secure a working arrangement between British shippers giving effective control of the Canadian market to the Amalgamated Collieries and the British Coal Corporation. The plan was to eliminate independent shipment from Wales and independent importation into Canada.

The other Canadian companies concerned were Hartt and Adair, the Susquehanna Collieries, and Mongeau and Robert, all of which were importers of Welsh anthracite.

Finally an agreement was reached between the two major sources of supply—the Amalgamated Collieries and the T. T. Pascoe Company—granting the Pascoe Company the privilege of shipping to Canada coal purchased from independent collieries and from the Amalgamated Collieries on condition that German anthracite would not be sent to the Canadian market. The result was that 90 per cent of the shipments to Canada in 1932 came from these two companies which controlled most of the high grade mines in Wales. The 1933 Report (p. 109) shows that in 1932, 890,000 gross tons were imported into Canada of which only 90,000 were purchased from independent companies, and of this amount only 30,000 tons, secured from Evans and Bevan, could be considered up to standard quality. Evans and Bevan was the only substantial independent colliery left shipping to Canada.

(c) Collateral to the above agreement, agreements were entered into with the British companies involving the Canadian companies now being considered. In an agreement made between the T. T. Pascoe Company and the F. P. Weaver Company in 1932, in recognition of the privilege given the T. T. Pascoe Company to export to Canada and to keep the anthracite out of the hands of other importers, the F. P. Weaver Company in 1932 purchased 60,000 tons of anthracite from the T. T. Pascoe Company. This coal was handed over in Montreal to the British Coal Corporation without compensation, dumped on the same pile on the Bickerdike pier, and sold through the joint agency of the F. P. Weaver Company and the Canadian Import Company.

The same agreement required the T. T. Pascoe Company not to supply any Welsh anthracite to other Canadian importers, except Hartt and Adair, during the years 1932, 1933 and 1934.

This agreement was fully carried out in 1933 and 1934, and Welsh anthracite in those years was shipped by T. T. Pascoe Company only to Hartt and Adair and the F. P. Weaver Company. During 1933, 68,000 tons and in 1934, 40,000 tons of Welsh anthracite was purchased by the F. P. Weaver Company from the T. T. Pascoe Company and handed over to the British Coal Corporation, without profit, to become part of their stock. During the corresponding years the British Coal Corporation purchased 455,000 tons and 494,000 tons directly from the Amalgamated Collieries.

During 1934, due to the fact that the demand for Welsh small sized coal was apparently greater than the supply, German anthracite was imported to make up the deficiency. The F. P. Weaver Company that year imported 39,000 tons of small sizes for the Montreal market through the T. T. Pascoe Company. This anthracite was also made part of the stock of the British Coal Corporation on exactly the same terms as the Welsh importations. In addition, 14,000 tons was turned over to the Canadian Import Company, Quebec, on the same conditions, with this distinction: the F. P. Weaver Company would profit in the re-sale of the anthracite turned over to the British Coal Corporation in Montreal, but would have no such interest in any anthracite sold to the Canadian Import Company in Quebec.

The same practice was continued in 1935, during which year the British Coal Corporation imported from the Amalgamated Collieries 321,000 tons and, through F. P. Weaver from the T. T. Pascoe Company, 53,000 tons of Welsh and 79,000 tons of German, a total of 453,000 tons. Further, in that year, 40,000 tons of German anthracite were again turned over to the Canadian Import Company, Quebec, without profit to the Weaver Company.

Again in 1936 the F. P. Weaver Company is estimating to import from T. T. Pascoe Company, 47,000 tons of Welsh and 98,000 tons of German, a total of 145,000 tons to be handed over to the British Coal Corporation to be added to their estimated importations of approximately 300,000 tons from Amalgamated Collieries. This coal will be sold from a common pile at a common price by the two agency companies.

(d) As already pointed out, in 1932 the Amalgamated Collieries and the T. T. Pascoe Company had been keen rivals for the Canadian market, so keen that an effort was made by the Amalgamated Collieries to buy up the only source of supply available to the Pascoe Company. (1933 Report, p. 107.) Then the agreement previously referred to was entered into by which the T. T. Pascoe Company was given freedom of purchase from the independent collieries, including certain collieries owned by Amalgamated Collieries, on condition that they would (a) sell only to the Weaver Company and Hartt and Adair for 1932, 1933 and 1934; (b) refrain from shipping German anthracite into Canada. That the scheme thus inaugurated has remained in full force is evident from the fact that it was carried out in 1933-34 and that since that time the British Coal Corporation has purchased freely both Welsh and German anthracite through

the Weaver Company and Hartt and Adair, with the necessary permission of the Amalgamated Collieries, without profit to either of these companies.

Your Commission finds it impossible to accept the statements made in the evidence by leading officials of the Canadian companies concerned that these transactions were only normal transactions between independent companies and not the result of some special understanding among the companies concerned—T. T. Pascoe Company, Amalgamated Collieries, British Coal Corporation, the F. P. Weaver Company, and Hartt and Adair.

(c) In a factum prepared for your Commission by Commission counsel, the statement is made that the Indo-China coal was imported by Elias Rogers into the provinces of Ontario and Quebec because Elias Rogers was unable to obtain sufficient stocks of Welsh anthracite. In the reply to this by counsel for the Webster companies, the statement is made: "It is misleading to state that the Elias Rogers Company was unable to obtain sufficient stocks of Welsh coal." This is followed by the statement that there was a reduction in importations by all Canadian importers, including the British Coal Corporation.

Having gone over with considerable care all the evidence submitted on this point, your Commission is satisfied that in 1934, and especially in 1935-36, all importing companies had difficulty in securing the amount of those sizes of coal for which there was the greatest demand in Canada. Since the Amalgamated Collieries had an exclusive agency with the Milnes Coal Company and the F. P. Weaver Company for shipments into Ontario, the demand of the Elias Rogers Company to be permitted to import directly from Amalgamated Collieries was, as one would expect, challenged by both the Milnes Coal Company and the F. P. Weaver Company. But, after Government intervention (Evidence, pp. 1892 and 2562), the Amalgamated Collieries agreed to divide the shipments to Toronto among the three companies, F. P. Weaver Company, the Elias Rogers Company, and the Milnes Coal Company. (Exhibit No. 177.) Under the arrangement both the Milnes Coal Company and the F. P. Weaver Company received a commission on the shipments to the Elias Rogers Company.

The correspondence submitted by the Elias Rogers Company (Exhibit No. 203) shows that they had great difficulty in getting the contract carried out, and that Senator Webster and the Milnes Coal Company resented the action that had made it possible for Elias Rogers Company to purchase directly from Amalgamated Collieries. It is further clear from the evidence that although Sir Alfred Cope, who was then in charge of Amalgamated Collieries, found it necessary to conform more or less to the terms of the agreement, he made it exceedingly difficult for the Elias Rogers Company to secure their share of the supplies. That there was direct interference from Canada from the two sources mentioned to prevent the Elias Rogers Company securing the quantities contracted for, there can be no doubt. Naturally, this was to be expected.

Just as the British Coal Corporation found it necessary to purchase German anthracite to satisfy the demands of the market for small sizes, so the Elias Rogers Company turned to the Indo-China coal for the same purpose. The discrimination against the Elias Rogers Company is seen in the fact that under the terms of the agreement Elias Rogers Company was to have a certain amount for its general business and additional tonnage to cover the requirements of three large Toronto dealers whom they had been supplying. Apparently the assurance was given by the Amalgamated Collieries that the requirements of these local companies would be extra to whichever of the importing companies concerned secured the order.

The three dealers concerned, being unable to procure their supplies from Elias Rogers Company, turned to the F. P. Weaver Company which was able to meet their requirements as well as the requirements of the other customers. Any shortage in the Weaver Company's direct importations was supplied by shipments from the British Coal Corporation in Montreal. Tonnages so shipped

were supplied at the c.i.f. cost price, plus actual handling charges. It is surely a fair inference that the Amalgamated Collieries was co-operating with the Webster companies to keep the shipments to the Elias Rogers Company as small as possible.

Mr. Alfred Rogers stated in evidence that an effort was made by the F. P. Weaver Company, through the agency of Sir Alfred Cope, to secure a monopoly of the supplies of Indo-China coal for which the Elias Rogers Company was negotiating. The evidence is as follows:

"Q. Was any competition offered by other Canadian importers for that Indo-Chinese coal?—A. Sir Alfred Cope put forth very strong efforts on behalf of the Weaver Coal Company, in which company he claimed to be a partner, to get control of that coal for the Weaver Coal Company. I understand it was just for the Weaver Coal Company.

"Q. That is what Sir Alfred Cope told you?—A. No, that came from Mr. Noblot.

By Mr. Taylor:

"Q. Mr. Noblot told you that Sir Alfred Cope had approached him?—A. On more than one occasion.

By Mr. Bissonette:

"He said the interests he was representing was the Weaver Coal Company?—A. He claimed to be a partner.

"Q. Did Mr. Noblot tell you what agreement was suggested to him by Cope?—A. They wished to have control and offered to help finance. That was the general idea.

"Q. Did he mention any figures or any offer which had been made to him by Sir Alfred Cope?—A. I was informed there was an offer of \$200,000 made, but whether that was by Sir Alfred Cope or Mr. Mickles I do not know." (Evidence, pp. 1915-1916).

This is further substantiated by correspondence between the F. P. Weaver Company and the Transocean Coal and Transport Company. (Exhibit No. 391).

For further verification, a questionnaire was sent to the Saremine Company in Paris, asking them for definite information relating to the above statement, but, by direction of French governmental authorities, the company refused to divulge what had transpired.

As the F. P. Weaver Company had already secured for that year abundant supplies from Wales and Germany through the Amalgamated Collieries and the T. T. Pascoe Company, as well as a monopoly on Westphalian anthracite from Klockner (Exhibit No. 392), and as by the very nature of things Indo-China coal could not be bought more advantageously than the supplies to which they already had access, it is a reasonable inference that the desire to monopolize the Indo-China field was intended, by anticipating the Elias Rogers Company, to forestall competition.

(f) Co-ordination of Activities of Subsidiary Companies.—The Canadian Import Company has, in Montreal, the following retail subsidiary companies:

Farquhar-Robertson Limited,
Hand and Parker Limited,
Ouimet-Wilson Coal Company Limited,
Monroe Coal Company Limited.

The F. P. Weaver Company has also the following subsidiaries:

Weaver, Limited,
F. B. Painter Coal Company Limited,
Prudential Coal Company, Limited.

Up to 1934 each of these companies had its own location, office and management. In April, 1934, a central office was opened in association with the office of the Farquhar-Robertson Company to do the joint accounting of the remaining six companies. A chartered accountant was put in charge of this central office under the supervision of Mr. Benson, the secretary-treasurer of the Webster companies.

Mr. Mickles' evidence regarding this is interesting:

"Q. Mr. Mickles, to put a direct question, may I ask this: Is there any central office in Montreal where all those companies, to wit Weaver Limited, Prudential Coal, and F. B. Painter—where book-keeping and accounting is done?—A. No.

"Q. There is none?—A. No.

"Q. You swear to that?—A. Yes.

"Q. I was told that there was a central office where the following companies are managed, so far as credit is concerned, and sales, and invoices are concerned—Farquhar Robertson, Hand and Parker, Munro Coal Company, Weaver Limited, Prudential Coal, and F. B. Painter, Limited; do you deny that?—A. Yes.

"Q. You do deny that?—A. Yes.

"Q. Is it not a fact that there is what we may call a central book-keeping office at Victoria Square, in the Imperial Trust or Imperial Bank Building?—A. No.

"Q. There is not?—A. No.

"Q. Last year had you one there?—A. Yes.

"Q. When did you close it up?—A. Some time either in the latter part of the winter, or early spring.

"Q. This year?—A. Yes; if my memory serves me correctly, it was some time in February or possibly March; some time along there.

"Q. So, had the office not been closed my question would have been correct?—A. Yes, correct."

(Evidence pp. 1102-1103-1104.)

When further questioned, Mr. Mickles said:

"I do not know that the office is closed. I had no—

"Q. You do not know?—A. No. I don't know whether the office is closed, or not. Our company has withdrawn from there, and whether the office is closed or not, I don't know.

"Q. Those companies were functioning together?—A. Yes.

"Q. But your three companies withdrew in February?—A. Yes.

"Q. You say that?—A. Yes.

"Q. And they have been functioning with Farquhar-Robertson—with your own companies, your subsidiaries—with Farquhar Robertson, Hand and Parker, and Munro Coal for how many years?—A. I think it was in the neighbourhood of two years.

"Q. Two years. So you opened that office in 1934 and closed it this year?—A. That is right; that is my recollection."

(Evidence pp. 1104-1105.)

The manner of organizing this central machinery was, at least, peculiar. Mr. Benson's evidence on the subject is as follows:

"Q. Will you tell us in a word the operation or system of that central office?—A. Just a system of keeping a separate set of books of six retail organizations.

"Q. You established that for economy, as we were told?—A. For the purpose of economy, yes.

"Q. Was there an agreement signed between the Canadian Import and the Weaver Company?—A. None whatever, not to my knowledge.

"Q. How did you arrange with Weaver Coal Company so that their subsidiaries, and yours, would be operated under that central book-keeping office?—A. I received my instructions from Harry Aird.

"Q. Mr. Aird gave you the instructions?—A. Yes.

"Q. Did he tell you how he had arranged with Weaver Coal Company?—A. No, he just asked me to go ahead and look after this book-keeping system."

(Evidence pp. 1385-1386.)

"Q. Did you invite other firms to join in the central book-keeping office?—A. No, sir.

"Q. You did not offer that to Hartt and Adair?—A. No, sir.

"Q. Or the Scotch Anthracite?—A. No.

"Q. Why did you limit it to Weaver Coal?—A. Do you think a competitor would be lacking in sense to the extent of giving information in our premises?"

(Evidence pp. 1407-1408)

With regard to the expense of the central office Mr. Benson stated that the expense was paid by the Canadian Import Company (Evidence p. 1384) and distributed over the companies which participated in the arrangement.

This arrangement was terminated in February, 1936, almost immediately after the announcement by the Dominion Government of its intention to appoint a Royal Commission to investigate the coal trade.

Certainly, if the Canadian Import Company had brought its own subsidiaries together under a common organization and the F. P. Weaver Company had done the same thing, no criticism of the situation would be possible.

To your Commission such an intimate co-ordination of effort can only be interpreted as the working out of a common plan between the two major companies concerned.

(g) The Situation in Quebec.—Another indication of the same co-ordination of effort is seen in the situation in Quebec. The correspondence between the Canadian Import Company in Quebec conducted by Mr. Stobo, and Mr. Alan Rogers acting for the F. P. Weaver Company, with regard to furnishing of supplies and in exchanging information in relation to customers, shows complete unity of interest. (Exhibit No. 328.)

(h) The Situation in Ontario.—Although no arrangement is admitted by officials of either company, the records of the two companies indicate that any shortage of anthracite experienced by the F. P. Weaver Company in Toronto is replenished by British Coal Corporation from its Montreal docks. The prices charged the F. P. Weaver Company appear to be the actual cost prices c.i.f. Montreal paid by British Coal Corporation plus the cost of handling. It appears also that there are frequent borrowings between the two companies, i.e. if certain sizes are required by British Coal Corporation in Montreal they are withheld from transshipments of F. P. Weaver Company's Toronto importations or, if F. P. Weaver Company is short of certain sizes in Toronto, shipments are made from British Coal Corporation's piles in Montreal and British Coal Corporation is repaid from later cargoes billed for Toronto.

(i) Division of Customers.—In the original agreements, as described in the 1933 Report (p. 103), occurs the following paragraph:

"The Import Company and the Weaver Company shall mutually arrange the division of customers with a view to as nearly as possible a 50-50 division of tonnage (disturbing as little as possible existing connections)."

The question was raised before your Commission as to whether the F. P. Weaver Company and the Canadian Import Company were competitors in so far as the sale of Welsh anthracite to dealers was concerned. On this point Mr. Aird gave evidence as follows:—

"Q. Are you dealing through the same people as the Weaver Coal Company?—A. In cases, yes.

"Q. Generally speaking, you have your own clients and they have their own clients?—A. Well, I would not like to put it just that way. In actual practice we are not spending our time canvassing Weaver's customers, but there are cases where the Weaver Coal Company may be selling a dealer and the Import Company be selling the same, and they are perfectly free to do it."

(Evidence, p. 70.)

When Mr. Mickles was questioned on the same point his evidence was as follows:—

"Q. Has the Weaver Company and the Canadian Import Company separate customers?—A. The Canadian Import Company have customers, and we have customers.

"Q. The F. P. Weaver Company Limited has customers?—A. Yes.

"Q. Is it possible for any of your salesmen to get, or to take Import Company's customers?—A. Yes.

"Q. Do you say that?—A. Yes.

"Q. Did it happen once?—A. Yes.

"Q. Cite a case within the last three years.—A. I can more readily cite you a case where they took a customer from us.

"Q. Cite a case within the last two years.—A. There was Alex. Danse-reau who was taken off our books on to the books of the Canadian Import Company, and I could cite others by reference to our records."

"Q. Did he leave your firm of his own free will, or was it by arrangement between your company and the Canadian Import Company?—A. No, he expressed his preference to buy his coal from the Canadian Import Company.

"Q. Did you go to them about it, before you made any change?—A. No, we very readily acceded to it,—said we didn't wish to lose him as a customer, but if he wished to go to Canadian Import Company to buy his coal, he was free to do so."

Referring to the retail subsidiaries the question was asked:—

"Q. Did the six companies work together,—three of yours, and three of Canadian Import?—A. I believe that our salesmen competed for any business they could obtain."

(Evidence, pp. 1114 to 1117.)

An examination of the lists of customers supplied by the two companies (Exhibits 112 and 127) shows that in the year 1935 the F. P. Weaver Company had 285 customers and the Canadian Import Company 385 customers, making 671 in all; 28 of these customers appear on both lists. In 1935 the British Coal Corporation delivered 536,771 tons which, under the arrangement for sale would mean that on the approximately 50-50 agency arrangement each company sold 268,000 tons. During that year the Canadian Import Company supplied 2,688 tons to 24 Weaver Company customers. The remaining 4 of the 28 names appear on the F. P. Weaver Company's list, and also on the Canadian Import Company's list. The tonnage supplied by the F. P. Weaver Company to the Canadian Import Company's customers was not reported.

Further, with regard to this point there is one other item in Mr. Mickles' evidence bearing upon it:—

"Q. May I call your attention to one letter signed by A. R., Managing Director; that is Alan Rogers. This is dated September 25, 1935, and is sent to Mr. Hotchkiss. One paragraph reads:—

'I note that Elmer states that Central Canada Coal is buying the Welsh coal from Import. Neither the Central Canada Coal Company

nor James Brennan, nor W. B. Reynolds is on the old exclusive list, and therefore there is no obligation on our part to abstain from soliciting the Welsh coal business of any of these three dealers, in competition with Canadian Import.'

Do you know of that letter?—A. I do not know of it.

"Q. That would look as though the exclusive list was still functioning?—A. That inference could very easily be drawn, yes.

"Q. That the exclusive lists are still in practical operation? This happens to refer to Montreal?—A. The Montreal district. I believe the situation was that one of Mr. Hotchkiss' men was extending his territory to cover Brockville, which had previously been covered by Montreal, and that is why Mr. Elmer got a little confused as to who should call upon who."

(Evidence, pp. 2299-2300.)

(j) There is one other event of significance bearing upon the same subject. When, in the spring of 1936, Belgian anthracite entered the Montreal market as a competitor at a cheaper price than Welsh anthracite, both the Canadian Import Company and the F. P. Weaver Company introduced a common policy, namely, of seeking to bind all their customers to purchasing their entire requirements of overseas anthracite exclusively from either the Canadian Import Company or the F. P. Weaver Company. (Exhibit 28.) That the scheme did not succeed does not alter the fact that it was a common policy introduced at the same time by the two companies which control the major part of the Welsh anthracite entering Canada.

(4) ~~The Hartt and Adair Coal Company Limited~~ is one of the oldest importers of anthracite into Canada. For many years this company imported United States coal, purchasing all its supplies from the Hudson Coal Company. When Welsh anthracite became an important factor in the Canadian market this company imported Welsh anthracite from the T. T. Pascoe Company. The 1933 Report (p. 107 et seq.) states that for some time during and after 1930 a continuous effort was made by Senator Webster to effect a working arrangement with Hartt and Adair for the better control of the Montreal market. At first the desire was to get Hartt and Adair to use the joint dock and facilities of the St. Lawrence Stevedoring Company. This they refused to do. This was followed by an effort on the part of the Amalgamated Collieries, on suggestion from Montreal, to buy up the anthracite from the mines supplying the T. T. Pascoe Company. This failed also. Eventually an agreement was effected, as previously stated, which gave the T. T. Pascoe Company a share of the Canadian market through the F. P. Weaver Company. The position of Hartt and Adair was protected by the T. T. Pascoe Company reserving the right to ship to them direct. That Senator Webster was anxious to control the operations of Hartt and Adair is apparent from the beginning of these negotiations. He first sought to bring them into the combination, then to shut off their supplies, and, finally, to get them into the price agreement scheme. According to the testimony of Alfred Rogers (Evidence, p. 1927), Senator Webster told him in 1933 "that Hartt and Adair were going broke and that he was going to get them."

During 1933 Robert Adair, the owner of the firm, was apparently willing to consider the sale of his business. Mr. Forsyth of the Scotch Anthracite Coal Company, desiring to get direct connections with sources of Welsh anthracite (Evidence, p. 918) discussed the question of the purchase with the officers of his company, and Mr. Bellerby of the Maris Export and Trading Company. Mr. Bellerby, apparently fearing the Scotch Anthracite Company might become too much absorbed in the sale of coal other than Scotch, decided against the purchase.

Mr. Forsyth, having failed to persuade the directors of his company to make the purchase, then turned to Mr. J. H. Gundy, of Wood, Gundy and Company, to see if money could be found for a local organization to secure the company. This also failing, Mr. Gundy (Evidence, p. 743 et seq.) went to Senator Webster. According to Mr. Gundy's evidence, the Senator informed him that he could not buy the business himself, but that some of his friends in England might. Following this interview early in 1934 Senator Webster was so interested that he "went to England and arranged with people over there to buy this company." (Evidence, p. 746). On his return the purchase was completed. The agreement between Robert Adair and Mr. Gundy was signed on March 22, 1934.

Apparently it was considered necessary to clothe the transaction in a good deal of secrecy as, apart from the agreement, no letters of any kind or memoranda are available concerning it. Mr. Fleming, the vice-president and general manager, was apparently not informed. The method of procedure was as follows:—

A company was formed in England known as Clase Securities, Limited, which, according to Senator Webster, is owned entirely by Sir Alfred Cope. This company was brought into being solely for the purpose of this transaction and for another transaction in Quebec which will be referred to later. It has no other business. The money for the purchase of the Hartt and Adair Company, \$250,000, was lent by Senator Webster to Sir Alfred Cope, together with an additional \$50,000 which, on the testimony of Senator Webster, was for working capital.

The only correspondence presented to your Commission covering the whole transaction was a letter from Senator Webster to Sir Alfred Cope, bearing the date December 4, 1935, which states in part:

"I have arranged through the Imperial Trust Company that they will loan you some \$300,000, at 3 per cent, against collateral of all the shares of the Clase Security Co., of London, which I understand amount to some 200 shares." (Exhibit No. 125).

On being recalled the second time to give evidence, Senator Webster stated that an additional \$225,000 had been advanced to Clase Securities for working capital, making \$475,000 in all.

(Evidence, p. 3758.)

When asked by Counsel whether there was any written agreement between him and Sir Alfred Cope covering the matter, Senator Webster stated:—

"Q. Did you make any written arrangement or agreement with Clase Securities?—A. My arrangement was a verbal one with Sir Alfred Cope."

(Evidence p. 1336)

In a statement made to your Commission by Counsel for Senator Webster he said:—

"Sir Alfred Cope, who is the owner of Clase Securities Limited, agreed to take over these shares (of Hartt and Adair) on the understanding—first, that Senator Webster would guarantee his financing; second, that Senator Webster would undertake to take back the shares if Sir Alfred asked him to take them back. In consideration, Senator Webster stipulated that if he ever wanted these shares he could get them."

(Evidence p. 574)

Under cross-examination by Counsel for Senator Webster, Senator Webster gave the following evidence:—

"Q. One question: I made the statement on your behalf here about Hartt and Adair, and I would like to know if it is correct?—A. It is correct.

"Q. In that case, as I understand it, not only can Sir Alfred Cope compel you to pay back, to protect him, and therefore take back the shares, but if you like you can call for the shares, also?—A. Correct.

"Q. In the Barnett situation, you being the guarantor of the loan, and therefore being liable to have to take the shares, to pay the loan and then take the shares, is there anything more there? Have you any right of any sort?—A. No.

"Q. Otherwise the two transactions are the same?—A. Yes."
(Evidence p. 1352)

All the shares of the Clase Securities Limited were deposited in trust as collateral security for the loan, which was callable at any time. According to the evidence given, the officers of the company were not notified until later of the transaction, nor was Mr. Gundy aware of the identity of the persons by whom the purchase was made.

During the year which intervened between the signing of the agreement and the final transfer of shares to Clase Securities Limited, J. H. Gundy acted as a director of the company in the interests of the purchasers.

Mr. Fleming, Vice-President of Hartt and Adair Company, in his evidence was insistent that his company was independently managed. In the factum presented by counsel for the Webster companies the same consideration is urged in the following words:—

"Moreover, as he (Senator Webster) had no intention of interfering in any way in the control or management of Hartt and Adair, he left the entire direction of the situation to Sir Alfred Cope's Clase Securities Limited. They, in turn, decided that no change was to be made in the Board of Directors of Hartt and Adair except that the Montreal counsel for Clase Securities Limited was made a member of the Board, so that Clase Securities Limited might make its desires known, as owner of the shares, and be kept informed of all that happened. In the same way, no change was made in the management. Mr. Fleming was left in entire control, and he continued to carry on the business exactly as he had done before. Instead, therefore, of there being any lessening of competition by the change in ownership of the shares of the Company, the fact that it was provided with necessary additional working capital actually increased its power to compete."

Now what are the facts. Immediately on this transaction going into effect the policy of this company was reversed. Hartt and Adair, which had previously refused to be parties to the plan for a common dock using the facilities of the St. Lawrence Stevedoring Company, became a party to the scheme. They continued to purchase Welsh anthracite from the T. T. Pascoe Company and, since 1934, German also. Their anthracite is all handled now by the St. Lawrence Stevedoring Company and dumped upon the same pile from which the Canadian Import Company and the F. P. Weaver Company draw also their supplies. For each ton purchased, the St. Lawrence Stevedoring Company has agreed to give them a definite quantity of prepared anthracite, charging them the same rate for handling as that charged British Coal Corporation. As in the case of the F. P. Weaver Company, a proportion of their purchases of both Welsh and German anthracite is taken over by the British Coal Corporation, in 1935 without compensation, and in 1936 with an allowance of 3d. per ton. In the year 1934, 27,659 tons of Welsh anthracite was so taken over; in 1935, 23,326 tons of Welsh and 31,804 tons of German, and in 1936, it is estimated that 25,000 tons of Welsh will be so transferred. In each of these years the balance sheet of the company shows a net loss. Under such conditions it would seem impossible for this company to show a profit.

Further, Hartt and Adair entered the Toronto market in 1932 against the strenuous opposition of the F. P. Weaver Company (1933 Report p. 118). In 1933 they continued their Toronto sales selling 46,900 tons. This was reduced to 7,859 tons in 1934, the year of the purchase of the company through J. H. Gundy. This business was dropped in 1935 and 1936 entirely, the company's activities being limited to Montreal.

In view of the fact that Clase Securities Limited was organized solely for the purpose of transactions in which Senator Webster was involved, and that Sir Alfred Cope who, it is stated in the evidence owned the shares of the Clase Securities, had made no personal investment nor incurred any personal obligation since Senator Webster had arranged the financing and guaranteed him against loss, it seems perfectly clear that in the whole transaction Sir Alfred Cope was acting as agent for Senator Webster. This in his later evidence Senator Webster really acknowledged. (Evidence p. 3759.) The contention of course! that "if the purchase of shares of Hartt and Adair by Clase Securities Limited had not been arranged, Hartt and Adair might very probably have passed out of the picture as a factor in the coal trade in Montreal, as it was at that time having confessedly a hard time to meet its financial needs. This would have meant one less competitor in Montreal in the coal business.", seems to your Commission to be wholly untenable.

In the remainder of this Report the companies previously designated the Webster Companies, with F. P. Weaver Company and the Hartt and Adair Company, will be spoken of as the *Webster Group*.

There are two other transactions related to the foregoing which require special mention:—

(1) Clase Securities Limited and Lane and Robitaille Limited:

Previous to 1934 R. G. Lane and Company of London, England, exported Welsh anthracite to Canada. The business was done through a subsidiary company, R. G. Lane (Canada) Limited. R. G. Lane (Canada) Limited supplied the firm of Lane and Robitaille Limited, Quebec,—a firm in which they had a controlling interest (66 per cent of the stock). At that time Lane and Robitaille was the only firm in Quebec competing with the Canadian Import Company in importing Welsh anthracite.

On May 2nd, 1934, Senator Webster purchased, through Clase Securities Limited, for \$23,500 the interest of R. G. Lane in Lane and Robitaille Limited. (Evidence p. 1842 to p. 1848.) This was about the same time that the similar transaction was made in the purchase of the Hartt and Adair Company. The manner of the transaction was also the same, in that great secrecy was maintained Mr. Robitaille not being made aware of it. Mr. Robitaille's evidence on this point is of interest:—

"Q. At that time Mr. Lane transferred his rights or transferred his shares; what did he do?—A. He sold his shares; we never knew to whom. Later on we learned that they had been transferred to Mr. Bush, in trust.

"Q. When Mr. Lane transferred his shares in the company—at that time you did not get any information as to the new owner?—A. No, nothing at all.

"Q. You discovered later on, and the minute book indicates it, that it was Mr. F. G. Bush, in trust, who became owner of the shares of R. G. Lane?—A. Yes, sir.

"Q. Did you ever meet Mr. Bush, Mr. Robitaille?—A. Once only.

"Q. Who is he; where does he come from?—A. He comes from Montreal.

"Q. Is he a business man; what does he do in Montreal?—A. I don't know him at all. He came once to visit us in the month of December, and he stayed about ten minutes. He inquired how things were going, and he went away.

"Q. Did Mr. Bush tell you that he was the holder of these shares?—A. No, and I didn't ask him either.

"Q. Do you know if Mr. Bush is a member of the legal firm of Brown, Montgomery and Company?—A. Yes, that is what he told me, at least.

"Q. Was Mr. Bush's name registered in the transfer book of your company?—A. Yes, sir."

(Evidence pp. 1703-1704)

As a consequence, Lane and Robitaille Limited ceased to be an importing company and became customers of the Canadian Import Company of Quebec, leaving to the Canadian Import Company a complete monopoly of importations of overseas anthracite in Quebec City.

The effect of this upon the business of Messrs. Lane and Robitaille is at once apparent. In 1933 the company imported 16,555 tons, of which 11,000 tons, approximately, were buckwheat sizes and 5,500 tons were domestic sizes. In 1934 all purchases were made from the British Coal Corporation, and Lane and Robitaille Company's business fell to 8,192 tons, altogether of small sizes. In 1935 this was further reduced to 6,085 tons, also of small sizes.

After the notice given in the Speech from the Throne that an investigation of the anthracite coal industry would be carried out, Mr. Bush of Brown, Montgomery and Company offered the sale of the stock to Mr. Robitaille Sr., the holder of the minority interest. A sale of the stock to Mr. Robitaille Jr. was finally effected through the assistance of Mr. Braff (Evidence p. 3715, also Exhibit No. 166) for \$14,500, Mr. Braff guaranteeing Mr. Robitaille's personal note for the amount at the Royal Bank. As \$23,500 had been paid for these shares, they were sold back at a loss. Senator Webster admitted this. (Evidence p. 3759.) Mr. Robitaille's evidence on the repurchase is also of great interest:—

"Q. Later on did anybody else transfer to—later on did Mr. Bush transfer to anybody else the shares that he had in the company?—A. I don't think so; I bought his shares myself.

"Q. Yourself?—A. Yes, personally.

"Q. How many shares did Mr. Bush hold at that time?—A. Fifty-five per cent of the stock, I think. You can find those details.

"Q. He was holding, 5,534 shares of Class A. shares, and 2,000 Class B. shares, and that total represented 55 per cent of the stock of Lane and Robitaille, Limited?—A. Yes.

"Q. You never knew, directly or indirectly, who Mr. Bush represented?—A. No, and I never inquired, either.

"Q. He did not show you any contract, or any option, or anything like that?—A. No, sir.

"Q. Did you understand why it was that Mr. Bush offered you these shares? Was it he who offered them to you, or did you offer to buy them?—A. He offered them to me; that is to say, he offered them to my father, first. My father said to me that he had sufficient shares at that time, and he said that if I wanted to buy them or if I was interested in that that I could acquire them, myself. I bought them at a fair price.

"Q. Did you learn why R. G. Lane transferred these shares?—A. It was certainly not because we were making too much money in Quebec, because he would have stayed in the company, I think.

"Q. At that time was the company the debtor of R. G. Lane?—A. Absolutely.

"Q. As a result of your buying the shares belonging to Lane, was he entirely paid what was due him?—A. Yes, we gave accounts receivable, and we paid 100 cents on the dollar, and besides we gave a certain amount—a certain other amount that I don't know.

"Q. According to the transfer book Mr. Bush held that stock during two years, from the 4th May, 1934, to 12th May, 1936?—A. Yes, that is correct.

"Q. And during those two years did Mr. Bush take any part in the administration of the company?—A. By power of attorney, only.

"Q. Who held that power of attorney?—A. Mr. Marois,—you will find that in the minute book.

"Q. Did Mr. Marois participate in the administration of the company?—A. No, he was coming to the meeting; we do not hold meetings every day.

"Q. Either through Mr. Marois, or from Mr. Bush directly, did you discover who Mr. Bush represented?—A. No, and I didn't inquire, either.

"Q. Mr. Bush told you that he was holding those shares in trust.—A. Yes.

"Q. You never tried to learn who he was trustee for?—A. No.

"Q. When Mr. Bush told you that he was holding these shares in trust, did he not tell you that it was through a letter addressed to Mr. C. G. Dunn?—A. I didn't have any knowledge of that.

"Q. That letter seems to have been produced to the company in order to effect the transfer?—A. I don't know; I would have to see the secretary. I didn't inquire about that.

"Q. Here on page 29 of the transfer book we read, 'Issued directly to F. G. Bush in trust, as per letter of direction to C. G. Dunn'?—A. I don't know.

"Q. Mr. Robitaille, did Mr. Dunn, who was also a director of the company, transfer his shares to Mr. Bush?—A. I was informed that he had sold his shares to Mr. Lane. He is no longer interested in the company.

"Q. Was it necessary that Mr. Dunn should transfer his shares to give the absolute control of the company to Mr. Bush?—A. No, he didn't have enough for that."

(Evidence pp. 1704 to 1707)

(2) R. G. Lane (Canada) Limited and Vipond-Tolhurst Limited:

In addition to supplying Lane and Robitaille with anthracite coal, R. G. Lane (Canada) Limited had a 50 per cent interest in the firm of Tolhurst-Lane Limited, Montreal. This latter firm acted as an agent in selling Lane (Canada) Limited coal to Vipond-Tolhurst, a retail organization in the same city. In 1934, Vipond-Tolhurst purchased the shares of the Lane-Tolhurst Company held by R. G. Lane (Canada) Limited. R. G. Lane (Canada) Limited ceased to operate in Montreal after the sale of Lane's interest in Lane and Robitaille and surrendered their Canadian charter in 1935.

The repercussion of the withdrawal of R. G. Lane from Canada, after the sale of Lane and Robitaille Limited to Clase Securities, upon Vipond-Tolhurst Limited, Montreal, was immediate. The commitments to Tolhurst-Lane Limited in 1934 were carried out by R. G. Lane and Company of London, England, with anthracite purchased from Amalgamated Collieries and Evans and Bevan. (The details will be found in Exhibits Nos. 335, 336, 337, 338 and 339.) From the correspondence it is clear that Messrs. Vipond-Tolhurst had grave difficulty in securing their supplies of anthracite, especially small sizes, and apparently R. G. Lane considered that the Amalgamated Collieries, to say the least, were not facilitating the supply to Vipond-Tolhurst. Apparently Messrs. Evans and Bevan, who had previously supplied Vipond-Tolhurst through R. G. Lane (Canada) were not in a position to give satisfactory terms to Vipond-Tolhurst, with the result that an arrangement was made with R. G. Lane and Company, Limited and the Amalgamated Collieries that the Amalgamated was to supply Vipond-Tolhurst with 30,000 tons of various sizes of the same grade as they were shipping to other Canadian customers, and that, in turn, Amalgamated Collieries was to purchase from R. G. Lane an equivalent amount of anthracite produced by Evans and Bevan on condition that Evans and Bevan were not to be made aware of the transaction. A further condition was that shipments were to be made in ships of Amalgamated Collieries, and that the amount of

Evans and Bevan anthracite in the shipments to Vipond-Tolhurst were "not to exceed in each cargo more than you will load in vessels to Weavers, etc., in other words, the composition of your cargoes is to be equivalent in every way to other shipments of yours." (Exhibit No. 399.)

The result of these difficulties was that Tolhurst-Lane sold their equipment, early in 1935, to F. P. Weaver Company for \$50,000, and Vipond-Tolhurst became a client of the F. P. Weaver Company.

GROUP B:

(1) **The Scotch Anthracite Coal Company Limited.**—As previously stated, this company is a subsidiary of the Maris Export and Trading Company of London, England. The company does both wholesale and retail business in Canada. All the Scotch anthracite which comes to Canada is imported by this company. So far as the evidence before your Commission is concerned, it shows that this company is an independent company having no contractual relations or agreements with other companies in Canada other than that of ordinary business arrangements between an importer and his customers. All its retail business, and part of the wholesale business, is done in the city of Montreal. In addition, the Scotch Anthracite Company sells dealers in the Maritime Provinces and in the Toronto District. Apart from its importations of Scotch anthracite it has, in the past, imported a certain amount of dry steam coal from Wales for customers who desire Welsh blower coal.

(2) **Susquehanna Collieries Limited** is a subsidiary of the M. A. Hanna Company of Cleveland, Ohio. This company does wholesale business only, importing anthracite from both the United States and Wales. From the United States it imports coal from the parent company—the M. A. Hanna Company. Susquehanna Collieries Limited has no direct relation with other companies in Canada except those that could properly be described as the ordinary relations between buyer and seller.

(3) **Mongeau et Robert Compagnie Limitée** was organized in 1930 and is a successor to the business of Mongeau et Robert, Limitée. The majority stock of the company is owned by the Mongeau and Robert families, but a minority interest is held by the M. A. Hanna Company of Cleveland, Ohio.

It has two subsidiary companies,—Andrew Baile Limited and Service Coal Corporation,—both of which conduct a retail business. The company does an import and wholesale business in Welsh, German and American anthracite.

As previously stated, this company is now under an agreement to buy its Welsh anthracite from the firm of Bessler, Waechter, Glover and Company, Limited, of Newcastle-on-Tyne, until 1939. It will be recalled that under the arrangement made between the F. P. Weaver Company and the T. T. Pascoe Company in 1932, Mongeau and Robert were prevented from buying anthracite from the T. T. Pascoe Company for the years 1933 and 1934. The agreement referred to above between Mongeau and Robert and Bessler, Waechter, Glover and Company was made on December 18th, 1934. Although the agreement was made with this company, the coal supplied is from T. T. Pascoe Company, and at a cost of a considerable commission to Mongeau and Robert.

There was no evidence brought before your Commission to indicate any relation existing between this company and any other Canadian company other than that described above.

(4) **The Iroquois Fuel and Coal Company Limited.**—As previously stated, The Iroquois Fuel and Coal Company Limited of Montreal is a new company, successor to the Iroquois Fuel Importers Limited which operated in 1935. The relation of this company to foreign sources of supply will be found on page 26 of this Report. The company is an independent importing company doing mainly a wholesale business.

There is no evidence of any association in any form with any other Canadian company other than ordinary business relations of buyer and seller.

(5) **Co-operative Catholique des Consommateurs de Combustibles.**—In August, 1933, a company was organized as a co-operative company called, La Co-operative Catholique des Consommateurs de Combustibles, Inc. This company was organized for the purpose of promoting mass buying in the interests of the persons who entered into a co-operative arrangement with it. The company was purchased in March, 1934, by Mr. Paul Payette. A new provincial charter was granted in June, 1934, which was abandoned for a third charter granted in November, 1935, under the name Co-operative Catholique des Consommateurs de Combustibles. Although the company bears the name "co-operative" it is not on a co-operative basis in the sense in which that word is usually used. It is a limited liability company owned and controlled by Mr. Paul Payette himself with "as many powers as it is possible to obtain in a charter." (Evidence p. 403.)

In evidence Mr. Payette stated:—

"Q. It is not on a co-operative basis that this Company exists?—A. Our present charter contains all the ordinary powers of a limited company. In so far as the charter is concerned, we are an ordinary limited company. From the angle of our operations with religious institutions, we do not sell the coal to them, we buy it for them, on a cost-plus-commission basis. We buy the coal for religious institutions at a uniform price for all religious institutions. Consequently we operate on a co-operative basis in that department which supplies coal to religious institutions."

(Evidence pp. 406 and 407)

The company is an importing company doing a wholesale business in addition to supplying the Catholic institutions on a commission basis. It has one subsidiary, Richelieu Coals Limited, which, under its charter, does both wholesale and retail business apart from sales to the religious institutions.

Co-operative Catholique des Consommateurs de Combustibles has no affiliation with any other company in Canada.

(6) **The Milnes Coal Company, Limited**, of Toronto, is the oldest importer of overseas anthracite in the Toronto market. Its chief business is in importing and retailing Welsh anthracite. This company, along with the Standard Fuels Company of Toronto,—a company dealing principally in American coke and American anthracite,—are subsidiaries of a holding company known as Standard Fuels Limited. The latter company was organized for the purpose of acquiring the capital stock of The Milnes Coal Company Limited and the Standard Fuels Company.

As pointed out in a previous section, since 1930 this company has been recognized as the exclusive agent of Amalgamated Collieries in the Toronto district. The contract between Amalgamated Collieries and the Milnes Coal Company runs until 1940. In 1930 an arrangement was entered into between Amalgamated Collieries, the F. P. Weaver Coal Company and the Milnes Coal Company by which the F. P. Weaver Company became the principal wholesale distributor of Amalgamated anthracite until 1935, the Milnes Coal Company undertaking to confine itself principally to the retail trade. (Evidence p. 2552). In any one year the wholesale business of the Milnes Coal Company, under the agreement, was not to exceed 20 per cent of their total business.

In return for the concession made to the F. P. Weaver Company, the Milnes Coal Company was granted an over-riding commission on all the Amalgamated Collieries anthracite imported into Toronto. This commission has varied from 1/6- to 10d. per ton. In the event of the Milnes Coal Company's wholesale business exceeding 20 per cent of its importations, the commission on such excesses was to be rebated to the F. P. Weaver Company.

When the agreement terminated in 1935 it was not formally renewed. The Milnes Coal Company considers itself now free to engage in both wholesale and retail business in Toronto, although Amalgamated Collieries is still selling to the F. P. Weaver Company and to the Elias Rogers Company and paying the commission to the Milnes Coal Company. (Evidence pp. 2544-2560.)

So far as the evidence submitted to your Commission is concerned, the above represents the total extent of the Milnes Coal Company's affiliations in Canada.

(7) **The Elias Rogers Company Limited** is one of the oldest wholesale and retail coal companies in Toronto. This company, until recently, was an importer mainly of American anthracite, having the agency for the Delaware, Lackawanna and Western Company.

When the company realized that it would be compelled to handle overseas anthracite in volume in order to retain its position in the trade, the agencies for the major producing companies in Wales had already been granted to other Canadian importing companies. The Elias Rogers Company succeeded in making an arrangement in 1933 with Amalgamated Collieries for a certain amount of Welsh anthracite. In addition to the Commissions paid to the British Coal Corporation, both the Milnes Coal Company and the F. P. Weaver Company were compensated by a commission from Amalgamated Collieries on all coal purchased by the Elias Rogers Company.

While this company, in 1932, was implicated in certain efforts to restrict the importation of British coke and, at various times has been a party to discussions on co-operation, it has so far as the evidence before your Commission is concerned, maintained an independent position, having no affiliations with any other company in Canada.

(8) **Lake Simcoe Ice and Fuel Limited**, of Toronto, is a direct importer of Welsh anthracite. It is an independent company, having no affiliations with any other company in Canada. This company purchases its coal from W. R. Barrett and Company, which acts as an exporting agency for a number of small independent Welsh mines.

(9) **Halliday Brothers Limited**.—This company is a company originally formed in Manitoba to do wholesale business. It is doing wholesale and retail business in Ontario under a licence from the Ontario Government. The business, however, is mainly wholesale. Halliday Brothers Limited imports both Welsh and American anthracite.

(10) **S. Cunard and Company, Limited**, of Halifax, is a company doing both wholesale and retail business in anthracite coal and coke. This company is an independent company, apparently having no affiliations other than those resulting from ordinary business transactions with any other company in Canada.

As stated in Section III, under the contract between the British Coal Corporation and Amalgamated Collieries the Provinces of Nova Scotia and Prince Edward Island were exempt from the agency agreement with the British Coal Corporation. S. Cunard and Company's distribution arrangements cover only the Provinces of Nova Scotia and Prince Edward Island.

This company also imports Scotch anthracite directly from the Maris Export and Trading Company, Glasgow.

Further, they have a working agency with the Philadelphia and Reading Coal and Iron Company for Nova Scotia and Prince Edward Island on a commission basis.

(11) **A. T. O'Leary and Company, Limited**, as stated in a previous section, is an independent company importing directly from Wales, having an exclusive

agency for Nova Scotia from the T. T. Pascoe Company. This company also does a wholesale business.

A. T. O'Leary and Company imports small quantities of Scotch anthracite. In 1935 they also imported a certain amount of German anthracite, due to the fact that certain people who shipped apples to Germany found it necessary to take coal in payment. It was purchased under a barter arrangement.

A. T. O'Leary and Company, Limited, has no affiliations with any other Canadian company except those necessarily associated with ordinary commercial transactions.

(12) **Roy E. Archibald.**—Mr. Roy E. Archibald of Halifax is an independent importer of Welsh anthracite. He does a wholesale and retail business, and has no affiliations with any other Canadian company. He purchases anthracite from Ingram and Company, Swansea, one of the independent exporting agencies in Wales, and imports only genuine anthracite, approximately 8,000 tons annually, as required.

In 1933 Mr. Archibald imported some dry steam coal (evidence p. 3985) to try it out. His statement regarding it was: "we found it very soft; too much degradation." It was sold as No. 2 anthracite, but for a considerably lower price than genuine anthracite. He has at various times imported small quantities of Scotch anthracite.

(13) **C. R. Nelson Company, Limited**, of Saint John, N.B., is a company wholly owned by Mr. C. F. Nelson. This company has no subsidiary companies, and is doing both wholesale and retail business.

C. R. Nelson Company has a contract with the Scotch Anthracite Company giving an exclusive agency for the Province of New Brunswick. Shipments are made directly from Scotland, the importations being between 25,000 and 35,000 tons per annum (Evidence p. 4159). This company has an arrangement with the Scotch Anthracite Company whereby all Scotch anthracite brought into Canada after the close of navigation on the St. Lawrence River is sent to Saint John and handled by C. R. Nelson Company, Limited, for the Scotch Anthracite Company.

In addition, this company purchases American anthracite through the F. P. Weaver Company, under an agency they have with Pattison and Bowns. (Evidence p. 1460.)

C. R. Nelson Company, Limited, is an independent company and has no affiliation with other companies in Canada except those mentioned above.

(14) **Parker D. Mitchell, Limited.**—According to the evidence given by Mr. Mitchell, this company is an independent company and has no subsidiaries. They buy Welsh anthracite from the British Coal Corporation, handling about 12,000 tons annually. The British Coal Corporation has an agreement with Parker D. Mitchell, Limited, whereby the British Coal Corporation in effect provides a substantial part of its working capital. (Evidence p. 78.) Apparently their agency for Saint John is an exclusive one. The company owns its own dock. They also handle Scotch anthracite, imported through H. W. Schofield, the Donaldson agent in the City of Saint John.

Parker D. Mitchell, Limited does both a wholesale and a retail business.

(15) **Consumers Coal Company, Limited.**—This is a joint stock company owned and controlled by Mr. Henry N. Stetson of Saint John, N.B. The company imports its own coal and sells both wholesale and retail. In addition to overseas anthracite it handles American.

The Welsh anthracite handled by this company is imported directly from Wales through the agency of Guerett, Llewellyn and Merritt. The imports of the company are wholly Dufferyn-Aberdare. This coal is classed in Wales as

dry steam coal, although under the test established by the Department of National Revenue, viz., a ratio of fixed carbon to volatile matter of 6, it enters Canada duty free. It is sold in Saint John as "Hi Heat" coal and described as second grade anthracite.

(16) **R. P. and W. F. Starr, Limited.**—This company is almost wholly owned by Mr. Francis Starr. The company sells both wholesale and retail, and imports Welsh, Scotch and American anthracite, and Welsh dry steam.

The company buys its Welsh coal from T. P. Rose-Richards, the major part of the importations being dry steam coal and, as in the case of the Consumers Coal Company, admitted duty free. According to Mr. Starr's evidence this coal is sold to dealers as semi-anthracite.

The foregoing analysis of the situation as it exists in Canada is as complete as could be determined from the evidence available in this country.

SECTION V

IMPORTATIONS—AVAILABILITY, PRICE, QUALITY

It was repeatedly stated to your Commission that the particular relations, as set forth above, which existed between the Amalgamated Collieries and the T. T. Pascoe Company in Wales and the companies of the Webster group in Canada resulted in placing other importers at a disadvantage both as to the quantities of Welsh anthracite obtainable and price to be paid for it. A special effort was made to determine this point. It was clear that the absolute determination of the facts could not be made in Canada because access could not be had to British agreements. Further, any special arrangements made by the Canadian companies with British companies were either verbal or not available in Canada. The existence of any special agreements was denied by representatives of the Canadian companies concerned.

(1) Availability of Supplies:**(a) Wales:**

The question of the availability of Welsh anthracite for importers other than the companies of the Webster group was constantly referred to during the sittings of your Commission. Representatives of the above companies were firm in their statements that independent collieries, other than those associated with or controlled by Amalgamated Collieries or by T. T. Pascoe Company, gave to other importers a free market in which to purchase.

Mr. Aird stated in his evidence (page 205 et seq), that there were 46 exporters of Welsh anthracite in Wales and that it was possible for importers to secure supplies through these agencies.

On this point Senator Webster was even more emphatic. Counsel quoted to him the following statement from page 108 of the 1933 Report:—

"At the suggestion of Senator Webster an understanding was reached between the two Welsh sources of supply, the Amalgamated and the Pascoe companies, whereby Pascoe might purchase freely from independent mines without interference by Amalgamated interests. In return the Pascoe Company undertook to refrain from shipping German anthracite into Canada. The arrangement was described as follows by Sir Alfred Cope in evidence:—

"We said if they would keep away from German coal we would not stand in their way at all from buying independent coal, but would give them a cheaper price."

To this Senator Webster replied:—

"I cannot answer for Mr. McGregor. No doubt he is of that opinion, but I would say to-day that Welsh coal is available and can be got, even if Mr. McGregor thought differently in 1932. To-day in 1936 you can get Welsh coal from other sources."

(Evidence p. 1271)

Mr. Aird gave a long list of independent companies which could ship to Canada, as follows:—

"The Emlyn Anthracite Company, Limited;
Ponthenry Colliery Company, Limited;
S. R. Anthracite Collieries, Limited;
Nantgwyn Colliery Company, Limited;
Brynhenllys Colliery Company, Limited;
Evans and Bevan Company;
C. & E. Collieries, Limited;

Ynisarwed Colliery Company;
 Tareni Anthracite Colliery, Limited;
 Dillwyn Colliery Company, Limited;
 Rigos Colliery Company, Limited;
 Cory Brothers, Limited;
 Hook Anthracite Colliery, Limited;
 Glanamman Anthracite Colliery Company, Limited;
 Dulais Anthracite Colliery Company, Limited."

(Evidence p. 306)

In view of this statement, it seemed to your Commission necessary to examine the actual facts on a statistical basis to see whether it were possible to buy coal in sufficient quantities and for regular delivery to meet the needs of those other importers who were anxious to supply Welsh anthracite to their regular dealers.

The three major exporting companies to Canada, exporting directly or through agents, are the Amalgamated Collieries, the T. T. Pascoe Company, and Evans and Reid. Taking the years 1933, 1934, and 1935, of the 6,770,000 net tons (the approximate average production of the three years):—

Amalgamated Collieries produced approximately.....	4,785,000 tons
Collieries producing high grade but not shipping to	
Canada	674,000 "
All other independent collieries.....	1,311,000 "
	6,770,000 "

The shipments from T. T. Pascoe, Evans and Reid, W. R. Barrett Limited, and others are included in the last item.

The importations into Canada are shown in the following table:—

IMPORTS WELSH ANTHRACITE INTO QUEBEC AND ONTARIO
 (Thousands of tons)

Year	Total	From Amalgamated	From Pascoe	Total	All Others
1933.....	1,234	811	218	1,029	205
1934.....	1,218	870	179	1,049	169
1935.....	1,115	619	299	918	197
PERCENTAGES					
1933.....		65.7	17.7	83.4	16.6
1934.....		71.4	14.7	86.1	13.9
1935.....		55.5	26.8	82.3	17.7
Total.....		64.5	19.5	84.0	16.0

Of the 4,785,000 tons mined by Amalgamated Collieries, 16.0 per cent is sent to Ontario and Quebec and a very limited amount to the Maritime Provinces. The actual percentage from the mines owned and operated by the Amalgamated Collieries is probably less than this, as Amalgamated has either secured control or has purchased under contract from a number of so-called independent producers. For example, some of the largest independent producers have contract relations with both Amalgamated Collieries and the T. T. Pascoe Company. In fact, nine of the largest independent producers sell to one or all of the three companies,—British Coal Corporation, the F. P. Weaver Company or Hartt and Adair,—for shipment to Canada. Evans and Bevan,

Rigos and Tareni, through Evans and Reid, supply approximately 100,000 tons yearly to the Susquehanna Collieries. Further, the T. T. Pascoe Company is supplying Mongeau and Robert with anthracite supplied by independent collieries, eking out the necessary supplies by purchases from Amalgamated Collieries, which surely would not happen if independent supplies were available. Of the 1,311,000 tons mined by Evans and Bevan and the other independent companies,

T. T. Pascoe sends to Canada.....	17·7 per cent
All others send to Canada.....	14·5 "
Total	32·2 "

It is clear, therefore, that during the last three years mines other than Amalgamated exported to Canada twice as much as Amalgamated Collieries in proportion to their production. This would certainly indicate that the independent collieries have been giving a full share of their production to Canada during the last three years, and could not be expected to do more.

About one-third of the production of the mines is normally small sizes, of the kind mainly required in Canada, and two-thirds domestic sizes. Amalgamated Collieries has annually approximately 3,190,000 tons of domestic sizes and 1,595,000 tons of small sizes. On the ratio of total shipments to Canada to total production, as stated above, Canada would receive annually only 255,000 tons of small sizes from Amalgamated Collieries and 140,000 tons from independent sources, a total of 395,000 tons. During the years 1933 to 1935 Canada's average annual imports of small sizes from Wales was 564,000 net tons, of which apparently 348,000 tons came from Amalgamated Collieries and 216,000 tons from other sources. Of the Amalgamated coal exported to Canada 44 per cent was small sizes; of the coal from other sources 53 per cent was small sizes.

In other words, the sources other than Amalgamated Collieries not only exported a very much larger share of their total production to Canada, but in that larger share sent a substantially larger proportion of buckwheat sizes. Under the circumstances it seems hardly likely that any considerable increase for immediate shipment to Canada can be expected from independent collieries. In any case, it was not possible in 1933, 1934 and 1935. Senator Webster, on being recalled to give evidence, admitted this to be a case, stating as follows:—

"Q. If Amalgamated and Pascoe were out of the market, it would be easy to get coal from anybody else in Wales?—A. Of course it would be.

"The Commissioner: Let us have that clear; do you mean Pascoe and Amalgamated,—if they were to decide to ship their coal to South Africa, for instance, and not to Canada, where would we be?

"By Mr. Bissonnette: Q. Yes?—A. I would not agree with that for this reason: if any person will conduct his business as we have conducted it for some years past, and make a term contract—in other words, there are millions and millions of tons of Welsh coal under the ground in Wales. All that is required there to-day is some additional outlay for goodwill and plant, and contracts, and know where they can sell it—if someone wants half a million tons of Welsh coal a year from to-day, or two years from to-day, and pays for it in advance, I would say that they could go over and arrange a contract in Wales to get as much coal as they would require. The coal is there. It is all a matter of contract."

(Evidence, p. 1264.)

"Q. You know better than anybody else in the coal business—can you tell the Commission out of those 46 mines, 46 names, if you can secure, your coal companies in Canada, your own companies, 50,000 or 60,000 tons a year.

"The Commissioner: As they stand to-day.

"The Witness: I think if we made preparation, and if we had some foresight, yes. No trouble to get coal in Wales. You would not be able to do it in a few days, or weeks, or months, even. It would take longer than that. But, if you will notice, our contract is ten years, and with that it has enabled them to open up mines, and enlarge mines. And there is another great difficulty there: The mines existing now have small cars which only carry eight or ten or twelve tons, in the wagons. It is impossible to load a big steamer with little cars like that. I would like to make that clear, if I can. Anybody else can go over, as we have done—we have been pioneers in this business, may I say"

(Evidence p. 1265.)

Evidence given by Mr. Forsyth of the Scotch Anthracite Coal Company shows that it was impossible to buy small sizes of either Welsh or German anthracite:

Mr. Forsyth "I think, in order to appreciate that situation, you should understand—and I think our correspondence bears this out—that in the first place Scotch small coal is not a good blower coal, because it will not clinker, and consequently could not be used in every type of installation. We had been trying for a long time—the correspondence will show it—to get a suitable blower coal. Apparently the Maris Company, who look after the purchases on the other side, were not able to get us the Welsh anthracite, or German anthracite coals. Consequently we wanted to get something, and they got us what I think Mr. Regan's letter shows to be the best they could get."

(Evidence p. 3348.)

Further evidence on this point was supplied by Alfred Rogers of the Elias Rogers Company. Under an agreement with Amalgamated Collieries, 1934 (Exhibit No. 177) he asked in 1935 for 65,000 tons of blower. He was promised 40,000 tons but only received 28,000 tons. To meet the deficiency the Amalgamated Collieries urged Rogers to import Welsh dry steam coal as the necessary quantity of blower was not available. In 1936 the Elias Rogers Company wanted 75,000 tons, but only received 30,000 tons. (Evidence p. 1874 *et seq.*)

Further evidence pointing to the conclusion that during 1933, 1934 and 1935 it was difficult to secure Welsh anthracite from any source in Wales, especially for new importers, is supplied both by the recorded evidence and from the correspondence filed. Mr. Aird stated in his evidence (p. 181), that Mongeau and Robert were large customers of the T. T. Pascoe Company. This is true for 1935 and 1936 but it was not true for 1933 and 1934. The agreement mentioned in the 1933 Report (p. 105) wherein it was provided that the T. T. Pascoe Company would not ship Welsh anthracite to any other firm in Canada than the F. P. Weaver Company, except Hartt and Adair, was literally carried out. No shipments were made to any other importer in Montreal by the T. T. Pascoe Company during that period. For their supplies in 1933 and 1934 Mongeau and Robert were dependent on purchases from the Susquehanna Collieries Limited.

After Hartt and Adair were taken into the Webster group in 1934, the imports of Welsh anthracite, for the Montreal market, on a percentage basis, stood as follows:

Webster group	80.4 per cent
Susquehanna (including Mongeau and Robert).	12.2
Lane-Tolhurst	4.5
Catholique Co-operative	2.0
All others	0.9

(See page 56 of this Report.)

The percentages for 1935 are only slightly different from the above.

Is it reasonable to suppose that if abundant supplies were available the proportion outside the Webster group would have been so small? The truth is there was no open market in 1933 and 1934 and only a slight relaxation in favour of Mongeau and Robert in 1935, first, because the Amalgamated Collieries and T. T. Pascoe, working with the Webster group, had made purchases difficult to obtain; secondly, because the quantities of small sizes in the proportion to suit Canadian requirements were difficult to get. The fact is that the independent companies were already shipping to Canada practically all the available supplies they had for that market.

In the following tables, and elsewhere in this Report, where the term "district" is used, the following boundaries are to be understood: *Quebec*, that portion east of Three Rivers; *Montreal*, from Three Rivers West to Kingston; *Toronto*, the remaining portion of Ontario. These may be regarded as natural economic divisions from a distribution point of view.

The following tables show the quantities of Welsh anthracite imported into Central Canada by the various importing companies for the years 1933, 1934, 1935, by districts, with percentage and summary:

(Thousands of Net Tons)

District	Year	Total	Webster Group	S.A.C.	Susq.	M.R.	Iroq.	C.C.	Milnes	Rogers	Other
Quebec.....	1933	127	107								20
	1934	130	130								
	1935	107	107								
Montreal....	1933	858	673		95						90
	1934	797	641		97			16			43
	1935	752	476		117	107		52			
Toronto.....	1933	249	129						77	43	
	1934	291	145						77	56	13
	1935	256	101						73	54	28

PERCENTAGES

Quebec.....	1933	84.2									15.8
	1934	100.0									
	1935	100.0									
Montreal....	1933	78.4			11.1						10.5
	1934	80.4			12.2			2.0			5.4
	1935	63.3			15.6	14.2		6.9			
Toronto.....	1933	51.8							30.9	17.3	
	1934	49.8							26.4	19.3	4.5
	1935	39.5							28.5	21.1	10.9

SUMMARY

Year	Total	Webster Group	Susq.	M.R.	C.C.C.C.	Milnes	Rogers	Others
1933.....	1,234	909	95			77	43	110
1934.....	1,218	916	97		16	77	56	56
1935.....	1,115	684	117	107	52	73	54	28

PERCENTAGES

1933.....		73.6	7.7			6.3	3.5	8.9
1934.....		75.2	8.0		1.3	6.3	4.6	4.6
1935.....		61.3	10.5	9.6	4.7	6.6	4.8	2.5

(b) Scotland:

Scotch anthracite is a strong competitor with Welsh anthracite in the Canadian market. The competition, however, is largely in the domestic sizes and not in the blower sizes. This is due to the fact that this anthracite has a higher ash fusion point and hence has not the clinkering quality required for use in blower furnaces of the ordinary type. Practically all the Scotch anthracite imported into Canada is brought in by the Scotch Anthracite Company, Limited, of Montreal, which purchases its supplies through the Maris Export and Trading Company, from the Scottish Anthracite Producers Association, a co-operative selling agency for a group of colliery owners producing approximately 90 per cent of all Scotch anthracite. This company is entirely independent of any group in Canada, although it joined in the price fixing agreements of 1932. Since that date no evidence has been found of any combination or working agreement with other importers.

The associated group of companies in Scotland produce about 900,000 net tons of anthracite annually, of which from 250,000 to 300,000 tons is sold in Canada. Only with great difficulty could the annual production or the proportion exported to Canada be substantially increased. The Scotch Anthracite Coal Company has practically complete control of all importations of Scotch anthracite into this country. It does a wholesale and retail business in Montreal and also sells directly to dealers in Ontario and the Maritime Provinces. It sells in cargo lots to Weaver at Three Rivers and to Mongeau and Robert in Montreal, buying its requirements of Welsh anthracite for its retail department in Montreal from the latter company. The following table shows the imports into Canada during the last three years:

IMPORTATIONS OF SCOTCH ANTHRACITE INTO CANADA

(Thousands of net tons)

Year	Total	Maritimes	Montreal	Toronto
1933.....	275	11	222	42
1934.....	301	33	233	35
1935.....	280	31	195	54

This company has its own equipment in Montreal for discharging, preparing and transshipping its coal. In its retail department it handles Canadian coke and American anthracite in limited quantities.

(c) Germany:

An important competitor in the Canadian market is German anthracite. Previous to 1932 T. T. Pascoe Company had the agency for the German syndicate for all anthracite sold in Canada. Under an agreement made in 1932 by the T. T. Pascoe Company, the Amalgamated Collieries, and the Webster group, the Amalgamated Collieries agreed to assist the T. T. Pascoe Company in its effort to obtain a sufficient supply of Welsh anthracite to provide for its Canadian commitments on condition that it prevent German anthracite from reaching the Canadian market. The result was that the German syndicate cancelled the exclusive contract with the T. T. Pascoe Company. The effort to keep the German anthracite off the market was successful, however, so long as an adequate supply of the small sizes could be obtained in Wales.

In 1934 the demand for smalls was so great that most of the important companies began to look for other sources of supply, with the result that German anthracite, chiefly of the small sizes, again began to enter the Canadian market in considerable quantities. In 1933 no German anthracite entered Canada; in 1934, 85,000 tons was imported; in 1935, 228,000 tons and in 1936 the estimate is 300,000 tons. The following table shows the way this coal was distributed:

IMPORTATIONS OF GERMAN ANTHRACITE INTO ONTARIO AND QUEBEC

(Thousands of net tons)

Year	Total	Quebec	Montreal	Toronto
1933				
1934	85	14	39	32
1935	228	46	127	55

Most of this anthracite was bought from the T. T. Pascoe Company, but apparently the German syndicate was prepared to sell to other customers. 1936, however, is the first year in which independent importers have purchased in any quantity directly in the German market.

(d) Belgium:

In 1934 a group of apartment house owners in Montreal, seeking to purchase coal for their own requirements at a better price, undertook to import from Belgium. That year they imported 12,000 tons. That proved so successful that a company was formed, Iroquois Fuel and Coal Company Limited, and a regular import business established. In 1935 this company imported 62,000 tons of Belgian anthracite and, in 1936 has agreements for the importation of 70,000 tons of Belgian and 50,000 tons of German anthracite. This company is importing both Belgian and German anthracite at a much lower price than was charged the F. P. Weaver Company by the T. T. Pascoe Company.

(e) Indo-China:

The anthracite areas of Indo-China produce two types of anthracite—one having clinkering qualities making it suitable for the Canadian market. In 1935 the F. P. Weaver Company brought in a cargo, but of the non-clinkering type, and it was not found to meet the Canadian needs. The same year the Elias Rogers Company brought in 70,000 tons of the clinkering type and found a Canadian market for it although the cost, because of the heavy freight charges, was above the cost at which German anthracite could be purchased. For the year 1936 the Elias Rogers Company has secured the exclusive Canadian agency and has contracted to import 124,000 gross tons.

(f) Russia:

It is hardly necessary to point out that an embargo was put upon Russian anthracite in the year 1931. In that year a contract had been made by the F. P. Weaver Company for the importation of 250,000 tons. Although the F. P. Weaver Company had striven to keep the contract alive against the lifting of the embargo, the evidence shows that the old contract was cancelled. The result of the negotiations for a new contract are not available. The possible further importation of Russian anthracite will definitely affect the market for Welsh, Scotch and other European coals.

So far as your Commission has been able to determine, there are no agreements affecting either the distribution or the price of other overseas anthracite excepting the agreements mentioned above.

The following tables show the quantities of Overseas anthracite *other than Welsh* imported into Central Canada by the various importing companies for the years 1933, 1934, 1935, by districts with percentages:—

(Thousands of Net Tons)

District	Year	Total	Webster Group	S.A.C.	Susq.	M.R.	Iroq.	C.C.	Milnes	Rogers	Others
Quebec.....	1933										
	1934	14	14								
	1935	46	46								
Montreal....	1933	226		222							4
	1934	284	39	233			12				
	1935	407	122	195		11	62			17	
Toronto.....	1933	44		42							2
	1934	67	32	35							
	1935	164	45	54					12	53	

PERCENTAGES

Quebec.....	1933										
	1934		100.0								
	1935		100.0								
Montreal....	1933			98.2							1.8
	1934		13.7	82.1			4.2				
	1935		30.0	47.9		2.7	15.2			4.2	
Toronto.....	1933			95.5							4.5
	1934		47.8	52.2							
	1935		27.4	32.9					7.3	32.4	

SUMMARY

Year	Total	Webster Group	S.A.C.	M.R.	Iroquois	Rogers	Others
1933.....	270		264			2	4
1934.....	365	85	268		12		
1935.....	617	213	249	11	62	70	12

PERCENTAGES

1933.....			97.8			0.7	1.5
1934.....		23.3	73.4		3.3		
1935.....		34.5	40.4	1.8	10.0	11.3	2.0

ROYAL COMMISSION

The following tables show the quantities of all Overseas anthracite imported into Central Canada by the various importing companies for the years 1933, 1934, 1935, by districts with percentages:—

(Thousands of Net Tons)

District	Year	Total	Webster Group	S.A.C.	Susq.	M.R.	Iroq.	C.C.	Milnes	Rogers	Others
Quebec.....	1933	127	107								
	1934	144	144								20
	1935	153	153								
Montreal....	1933	1,084	673	222	95						94
	1934	1,081	680	233	97		12	16			43
	1935	1,159	598	195	117	118	62	52			17
Toronto.....	1933	293	120	42					7	45	
	1934	358	177	35					71	56	13
	1935	420	146	54					85	107	28

PERCENTAGES

Quebec.....	1933		81.2								
	1934		100.0								15.8
	1935		100.0								
Montreal....	1933		62.1	20.5	8.7						8.7
	1934		62.9	21.5	9.0		1.1	1.5			4.0
	1935		51.6	16.8	10.1	10.2	5.3	4.5			1
Toronto.....	1933		44.0	14.3					26.3	15.4	
	1934		49.4	9.8					21.6	15.6	3.6
	1935		34.8	12.8					20.2	25.6	6.7

SUMMARY

1933.....	1,504	909	264	95					77	45	114
1934.....	1,593	1,001	268	97			12	16	77	56	56
1935.....	1,732	897	249	117	118	62	52	85	107	107	45

PERCENTAGES

1933.....		60.4	17.6	6.3					5.1	3.0	7.6
1934.....		63.2	16.9	6.1			0.8	1.0	4.8	3.6	3.6
1935.....		51.8	14.3	6.8	6.8	3.6	3.0	4.9	4.9	6.2	2.6

The following tables show the quantities of all Overseas anthracite imported into Central Canada from the various exporting countries for the years 1933, 1934, 1935, with percentages, based on reports filed by the companies:—

(Thousands of Net Tons)

Year	Welsh	Scotch	Total British	German	Belgian	Indo-Chinese
1933.....	1,234	270	1,504			
1934.....	1,218	268	1,486	85	'2	
1935.....	1,115	249	1,364	228	62	78

PERCENTAGES

1933.....	82.05	17.95	100.00			
1934.....	76.94	16.93	93.87	5.37	0.76	
1935.....	64.38	14.37	78.75	13.17	3.88	4.50

Taking the average for three years, 84 per cent of the Welsh anthracite comes through the two companies,—Amalgamated Collieries and the T. T. Pascoe Company; the Scotch from one agency. The German comes mainly through the T. T. Pascoe Company, though some is now sold direct by the agencies of the German syndicate. The Belgian anthracite is a national monopoly with an exclusive agency in Canada. The Indo-China is sold in Canada through an exclusive agency.

It will be noted that the above tables include only imports into Ontario and Quebec. The Maritime Provinces use chiefly Canadian bituminous coal for domestic heating purposes, though the consumption of anthracite is increasing to some extent. The total consumption of anthracite in the three Maritime Provinces is little more than half that consumed in the city of Quebec and the surrounding district.

There is little complaint in the Maritime Provinces as to the availability of overseas anthracite. The demand is for small cargoes, 2,000 to 3,000-ton vessels as compared with 6,000 to 8,000-ton vessels for Montreal and Quebec, and some difficulty is experienced in getting boats of this small size at the right time.

Certain individuals complained of inability to purchase anthracite direct from Wales, but with such a small market, the exporters can hardly be blamed for confining their sales to a single company. The fact that S. Cunard and Company in Halifax is exclusive agent for both Amalgamated Collieries and the Scotch Anthracite Coal Company gives this company control over between 70 and 75 per cent of the overseas coal sold in Nova Scotia.

The following table shows the details of the imports of overseas anthracite into the Maritime Provinces in the years 1933-1935. The figures include only true anthracites. Dry steam coals and semi-anthracites, which are imported from Great Britain in considerable volume, are not included. Anthracite from the United States is only a small factor, imports into the three provinces being, in 1933, 28,000 tons; 1934, 36,000 tons; 1935, 27,000 tons.

IMPORTS OF OVERSEAS ANTHRACITE INTO THE MARITIME PROVINCES
(Thousands of net tons)

	Halifax		Saint John		All other importers in Maritimes	Total
	Cunard	O'Leary	Nelson	Mitchell		
1933						
Welsh.....	29	7		4	11	51
Scotch.....	10		13		2	25
German.....						
Total.....	39	7	13	4	13	76
1934						
Welsh.....	25	8		6	18	57
Scotch.....	11		11		2	24
German.....						
Total.....	36	8	11	6	20	81
1935						
Welsh.....	30	7		7	12	56
Scotch.....	15		19		1	35
German.....		3				3
Total.....	45	10	19	7	13	94

(g) United States:

It has already been pointed out that prior to 1923 the United States was virtually the sole source of Canadian imports of anthracite coal, and that our annual imports were between 4 million tons and 5 million tons. Since 1923 Canadian imports from the United States have steadily declined, and in recent years have been between 1,500,000 tons and 1,800,000 tons. Canada is practically the sole export market for American anthracite and Canadian imports from the United States are about 3 per cent of the total United States production.

Production of anthracite in the United States has been falling steadily during the past fifteen years, from between 80,000,000 tons and 90,000,000 tons in the period 1920-24 to between 50,000,000 tons and 60,000,000 tons in 1931-35. The principal reason for this decline is the aggressive competition of other fuels. The consumption of coke for domestic heating purposes in the United States was 5,000,000 tons in 1924 and 12,000,000 in 1935. Fuel oil for domestic heating has risen phenomenally and by 1934 had reached a volume of 77,000,000 barrels—the equivalent of nearly 20,000,000 tons of anthracite. The rapidly increasing number of domestic installations for burning bituminous coals has meant the further displacement of several million tons of anthracite each year.

There has never been any problem of commercial availability of American anthracite. Some of the major producing companies sell through exclusive agents in certain parts of Canada; others sell freely through their own sales organizations to all *bona fide* dealers. For example, the Philadelphia and Reading Company has its own sales organization in Canada. The Delaware, Lackawana and Western has the Elias Rogers Company as its wholesale agent for Toronto and district, but sells elsewhere through its own organization. The Hudson Company sells through F. P. Weaver Company in the Toronto area, through Hartt and Adair in Quebec, but covers some parts of Ontario with its own salesmen. The Pittston Company sells through P. Burns and Company in Ontario, and through F. P. Weaver Company in Quebec. The Lehigh Valley Company sells through its own organization; the Lehigh Navigation Company through the Empire Coal Company, a subsidiary of the Consolidation Coal Company, New York; and Susquehanna through its own Canadian subsidiary.

These seven "line" companies supply about 85 per cent of the American anthracite sold in Canada, the remaining 15 per cent coming from various independent companies. Your Commission has received no complaints from dealers of inability to get the kind and amount of American coal required.

On a few occasions during the past thirty-five years there have been shortages of available supplies of American anthracite. In 1902 and again in 1922 prolonged strikes in the Pennsylvania fields created serious conditions and in the winters of 1917 and 1918 shortages of railway rolling stock and serious congestion on the railways caused temporary shortages. The acute situation that arose in 1922 was one of the important reasons for the development of the Welsh import trade in the years immediately following.

From the broad standpoint of national interest the maintenance of alternative sources of supply is very desirable. At present (1935-36) Canada is drawing 48 per cent of its anthracite from the United States, 42 per cent from Great Britain and 10 per cent from other countries. Supplies from Great Britain and other overseas countries might be cut off or drastically reduced by war (either through attacks on the shipping lanes or through conscription of shipping for other purposes), or by prolonged strikes. Supplies from the United States can be endangered by either miners' or railway strikes. Unexpected reduction of available supplies from the United States would be difficult to cover. The short shipping season, the limited available tonnage of coal carrying vessels, the relatively fixed capacity for discharging and storing coal at the main Canadian termini, and the fact that developed Welsh and Scottish anthracite mines are worked fairly close to present capacity, would make it very difficult if not impossible to meet a sudden increase in demand of, say, 1,000,000 tons from overseas. On the other hand, if supplies from overseas were partially or wholly cut off, the deficiency could fairly easily be made up from the United States (though with some embarrassment to consumers with equipment designed for low ash fusion point coals). Canada's consumption as a percentage of American production is so small, and the presently unused capacity of the American mines so large, that an increased demand for 1,000,000 tons, or two or three times that amount, could be met without great difficulty.

Complete statistics of imports from the United States in comparison with those from other countries have already been given on page 12.

(h) Agreements Regarding Coke:

It will be recalled that the Montreal Coke and Manufacturing Company Limited (Lasalle) was involved in the prosecutions which grew out of the 1933 Report. It seemed necessary to inquire, therefore, whether the Lasalle Coke Company, or any other company producing coke, was involved, in any arrangements with any other Canadian or British company which aimed at the suppression of imports, or in combinations and, further, to what extent coke, either imported or manufactured in Canada, was becoming a competitor with anthracite in the Canadian market.

The record of importations shows that in 1933 the Tolhurst-Lane Company imported one cargo of 6,670 tons, and the Susquehanna Collieries, one cargo of 5,212 tons of British coke. In 1934 the Montreal Coke and Manufacturing Company (Lasalle) imported 20,713 tons and Susquehanna Collieries, 3,803 tons of British coke. In 1935 no British coke was brought in, but 4,492 tons of German coke and 4,277 tons of Polish coke was imported by the Iroquois Fuel and Coal Company, and 2,786 tons of German coke by Mongeau and Robert. In 1936 a certain amount of German coke was imported by the Iroquois Fuel and Coal Company. The reason that importations have ceased appears to be that the demand for coke in Great Britain is sufficient to absorb the supplies and, therefore, the price has become practically prohibitive so far as importation to

Canada is concerned. The same remark applies to European coke as it is recognized that a European coke cartel is in existence, to which British producers are a party.

The facts before your Commission are set out in the following evidence by the only importer in 1936. The Mr. Munroe referred to is the General Manager of the Montreal Coke and Manufacturing Company.

"Q. What about coke—you advertise coke for sale at such and such a price?—A. And we are losing money.

"Q. We will have to ask you to give an explanation?—A. We are losing money, and I don't mind telling you we do not plan—this is for the information of Mr. Munroe—we do not plan importing as much coke next year if we do import any at all.

"Q. Why are you offering coke at that price?—A. Well, it is really a summer price to move it. We admit that we have imported much too early in the season, and that we certainly did not expect prices would back up that way. Last year we sold at \$10.50 and we expected this year to sell it at \$10.75. It is mostly retail business, which is cash business, and brings in the cash. There is very little wholesaling in coke.

"Q. What is that, Belgian coke?—A. No, it is German coke.

"Q. Will the coke coming in next year be sold at a higher price?—A. We do not know. We know we are not going to lose any money. There are the carrying charges and everything else and we calculate it is complete extra from our business; it is more or less a side line.

"Q. Are you selling your coke at a price to compel Mr. Munroe to reduce his price?—A. No, I am afraid that whatever we would sell would have absolutely no effect on Mr. Munroe's company. We might sell at the maximum about 15,000 tons, and when you compare that with his production figures—I don't know what it is—of around 200,000 or 250,000 tons, you will see our little 15,000 tons won't make much change in his price."

(Evidence pp. 4348-4349)

It therefore appears that in so far as the province of Quebec and Eastern Ontario are concerned, the competition offered by coke to anthracite is a competition of coke manufactured in Canada by the Montreal Coke and Manufacturing Company, Limited (Lasalle).

In Western Ontario the Hamilton By-Products Coke Ovens Limited, and the Steel Company of Canada, manufacture coke quite extensively. The various gas companies also sell a considerable tonnage of gas coke. In addition, considerable quantities are brought in from the United States. According to the evidence of Mr. Henry of the Hamilton By-Products Coke Ovens Limited (Evidence p. 2744), such a quantity of American coke was imported in 1935 as to leave a surplus of coke on the Canadian market.

The growth of the competition of coke to anthracite in Western Ontario is indicated by the fact that in 1926 coke constituted 20 per cent of the fuel sold in Hamilton for domestic heating purposes. In 1935 this had increased to 54 per cent. In the city of London, from 1926 to 1935 the use of coke increased from 23 to 39 per cent of the fuel used. In Toronto, the increase was from 20 to 38 per cent, so that in the last ten years coke has become quite an important factor in the domestic fuel market. But, on the other hand, the quantity of coke manufactured in Canada is necessarily limited by the activity of the steel mills and the possible sale of its by-products, especially gas. As matters stand, coke represents approximately 31 per cent of the domestic fuel used in the province of Ontario as compared with 9 per cent in the province of Quebec.

The question was raised whether the Lasalle Coke Company, which purchased coke and coal from the Maris Export and Trading Company of London, England, or the Scotch Anthracite Company of Canada, has any private arrange-

ment for the purpose of controlling the importations of British coke in the Montreal market. Mr. Munroe, the Vice-President and Managing Director of the Montreal Coke and Manufacturing Company, whose shares are owned 50-50 by the Montreal Light, Heat and Power Company, and the Koppers Company of Canada, a subsidiary of the Koppers Company of Delaware, submitted correspondence between himself and the Maris Export and Trading Company (Exhibit No. 304) which indicated no special agreements of any kind existed. Additional evidence on the point was as follows:

"Q. In that agreement to which you are referring, were there any conditions imposed upon your company by the Maris Export whereby you had to deal with Scotch Anthracite Coal Company in Canada?—A. No, none.

"Q. But is there any understanding between you and Mr. Bellerby (of the Maris Company) whereby you will do business with Scotch Anthracite Coal Company in Canada?—A. No, none.

(Evidence p. 3479)

"Q. Mr. Munroe, your statement surprises me. Would you say that the Scotch Anthracite Coal Company was never used as an intermediary between your firm and the Maris Export Company?—A. No, not in any business transaction.

(Evidence p. 3482)

"Q. You had nothing to do with the Scotch Anthracite Coal Company?
A. Not in connection with this.

"Q. All purchases were made and all orders given direct to the Maris Export?—A. Yes, and the reason for that is quite easy to see. They are in England, they are on the spot where the coke which we had purchased was to come from. That is the reason we dealt with a broker in England because we could not be there ourselves. There would be no point in dealing with the Scotch Anthracite Company, as I could do it as well myself without ever having any agent in England."

(Evidence p. 3485-3486)

(2) Price:

(a) Exporters Prices c.i.f. Montreal:

Before entering into a detailed statement of the wholesale costs of anthracite, it ought to be pointed out that there is a considerable variation in the quality of the coals available. There are generally recognized two major divisions of quality of Welsh anthracite, namely, Big Vein and Red Vein. The Big Vein is divided into four classes: primes, bests, seconds and thirds. The difference between them, however, is largely a question of friability (the tendency of the coal to break down into small sizes and dust during the process of transportation and handling) as an examination of the content, as expressed in volatile matter, fixed carbon and ash and the resultant B.T.U.'s, does not show great variation (See table p. 99). As the coal, in the end, is all sold at a common price the selection of the grade by the importer will depend upon which grade will be to him the most profitable.

Generally speaking, the importations into Canada are from the lower grades of Big Vein with a small percentage of Red Vein, the importers doubtless believing that the loss they have to take on degradation is compensated by the difference in price they pay at the mines. At the present moment this is also due to the fact that the development of the blower furnaces has resulted in an increasing demand for the smaller sizes, for which previously there was no market, while the European market favours the larger sizes for which they are willing to pay a substantial premium.

For example, the South Wales Coal Annual of 1936 shows that the average price for 1935 of best grades cobbles and French nuts was 42/3½ per gross ton f.o.b. Swansea, while the average price paid by Canadian importers was slightly under 30/-. A difference of approximately \$2.70 per short ton.

An analysis of the importations into Canada for 1935 shows that of domestic sizes, none of the primes and bests were imported; all importations were seconds and thirds. In the peas and small sizes, approximately 40 per cent were primes and bests, and 60 percent were seconds and thirds. The value of the small sizes from the primes and bests would, of course, not be greater than those from seconds and thirds, as there would be no further losses due to degradation.

As previously stated, the major difference is one of friability and consequent degradation. The effect of this will be pointed out under "Wholesale Prices in Canada".

The difference in value between the primes and firsts, and seconds and thirds, is also apparent when the retail prices in London, England, are considered. In 1936, domestic size anthracite (primes and firsts), were selling in London for 71/- to 72/- a long ton or, approximately \$16.00 a short ton. This was \$3.00 more than the retail price in the City of Montreal for the seconds and thirds which are imported into Canada. This difference is partially accounted for by the high rail freight rates to London as compared with ocean rates to Montreal (12/- London, 7/- to Montreal), uneconomical distribution, and the absence of degradation in the home market.

Your Commission has had no access to accurate figures of costs of production of anthracite in Wales, but it is generally known that coal-mining has not been a profitable industry for many years. While Amalgamated Anthracite Collieries has had better income statements than some, it has paid no common dividends in the past eight years, and its preferred dividends are heavily in arrears. Your Commission has no figures bearing on prices charged to buyers in other countries in comparison with those charged to Canadian importers, but it will be recalled that the contract between British Coal Corporation and Amalgamated Collieries stipulates that the prices "shall not be higher than the average f.o.b. price A.A.C. is obtaining on the Swansea market... for similar coals" (Exhibit 11). Your Commission has no reason to believe that Canadian importers are paying unreasonable or excessive prices for their coal.

An analysis of the prices paid for Welsh anthracite by the various importers shows in certain years a remarkable variation. In 1933 the British Coal Corporation purchased T. T. Pascoe anthracite through the F. P. Weaver Company and Hartt and Adair at 5/- and 6/- per ton respectively, more than they were paying Amalgamated Collieries. In 1934 this situation was reversed, Amalgamated obtaining 2/6 and 3/- more from the British Coal Corporation than T. T. Pascoe Company from F. P. Weaver Company and Hartt and Adair for Welsh cobbles. In 1935-36 these differences completely disappeared. Whether the figures for 1933 have any relation to the agreement by which T. T. Pascoe Company refrained from sending German anthracite into Canada, is impossible for us to determine. In the table on page 74 will be found the detail of items entering in the price.

An examination of the contract prices being paid for overseas anthracite by the various importers reveals keen price competition between the several exporting countries. The following table gives the range of prices being paid by Canadian importers, c.i.f. Montreal.

RANGE OF PRICES PAID BY IMPORTERS OF ANTHRACITE SEASON OF 1936
(In shillings per gross ton, c.i.f. Montreal)

	From all Countries		Welsh Only		German Only	
	High	Low	High	Low	High	Low
Cobbles.....	38/9	20/9	38/9	35/8	35/4½	33/-
French Nuts.....	38/4½	27/-	38/4½	36/7½	36/1½	27/-
Large Peas.....	31/-	25/6	31/-	29/-	28/4½	24/10½
Small Peas.....	27/-	23/3	27/-	25/9		
Grains.....	25/11	21/6	25/11	25/-		
Peas and Grains mixed.....	31/6	19/-	30/6	25/8½	24/10½	19/-

No one company pays the lowest prices in all sizes, and no one company pays the highest prices in all sizes. If the names of the companies paying the lowest and highest prices in each size were given, it would be found that the names of five different companies would appear in the low column and nine different companies in the high column. In other words, most of the importers are paying higher than the average on some grades and sizes and lower than the average on other grades and sizes.

It should be added that the variations are not entirely pure variations in price; there are quality grades in the same country and as between countries. Variations in quality are not, however, of sufficient importance to result in different prices to the ultimate consumer. A further point to be noted in studying the above table is that a sharp break in the price of German coal occurred after some Canadian importers had signed contracts for the season and before others had made their purchases. A final element in these price variations is that exporters vary prices slightly according to the proportions of various sizes purchased, i.e. an importer, by agreeing to take additional tonnage of domestic sizes may be given a small price concession on either the domestic sizes or the buckwheats.

Before the application of the blower furnace to household use, the blower sizes were only worth on the market the price of steam coal and were sold, largely for industrial uses, in competition with bituminous coal. The introduction of the blower furnace into household use completely reversed the situation. The problem lately has been to secure enough coal of the blower sizes to meet the requirements of the Canadian market. The result has been an increase in the price of the blower sizes and a consequent fall in the price of the domestic sizes. An example will serve our present purpose.

The costs of cobbles and buckwheat No. 1, c.i.f. Montreal (that is, alongside dock, before unloading, and before allowing for degradation) in the years 1930 to 1936 have been as follows:

	1930	1931	1932	1933	1934	1935	1936
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Cobbles.....	8 86	8 32	7 33	7 38	8 02	8 00	8 24
Buckwheats.....	5 90	5 74	5 15	5 21	5 65	5 98	6 52

PERCENTAGE CHANGES (1930=100)

Cobbles.....	100	94	83	83	91	90	93
Buckwheats.....	100	97	87	88	96	101	111

The course of Montreal wholesale prices (ex dock less cash discount) shows a still more divergent trend.

	1930	1931	1932	1933	1934	1935	1936
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Cobbles.....	13 00	12 70	11 75	12 00	12 25	11 25	10 25
Buckwheats.....	8 00	7 90	7 55	7 55	8 30	8 40	8 05

PERCENTAGE CHANGES (1930=100)

	1930	1931	1932	1933	1934	1935	1936
Cobbles.....	100	98	90	92	94	87	79
Buckwheats.....	100	99	94	94	104	105	101

The difference in the price trends of cobbles and buckwheats has been very marked in the past ten years. Buckwheats, which at one time presented a very serious problem of disposition to the producer, are now difficult to secure in the quantities required. The development of the small blower furnace had, until recently, tended to produce a nice balance in the Welsh industry. The English and the European markets demanded domestic sizes almost exclusively, and the Canadian and New England markets took a large proportion of buckwheats. The two types of demand fitted together very neatly.

A number of factors have contributed to the disturbance of this balance, and since 1934 the technical problems presented by the relative demands for the two sizes have become progressively more difficult. Canadian demand for buckwheats has continued to increase, as the following figures repeated from the table on page 13 show:

DOMESTIC CONSUMPTION OF BLOWER SIZES OF ANTHRACITE AS A PERCENTAGE OF TOTAL SOLID FUELS USED FOR DOMESTIC HEATING

	1926	1929	1932	1935
Quebec.....	7.7	17.7	27.6	37.0
Ontario.....	1.9	4.3	7.2	12.0

Not only has Canadian demand increased rapidly, but with the spread of central heating in England an English demand has developed for buckwheat sizes. The real problem, however, has arisen out of the drastic decline in the European demand for Welsh domestic sizes. High tariffs and low quotas in many European countries seriously affected sales. Further, in 1935 the application of limited economic sanctions practically destroyed a large trade with Italy; and in 1936 the Spanish troubles almost eliminated another important market for domestic sizes. The Welsh producers have thus found the old position completely reversed. Ten or fifteen years ago the small sizes tended to pile up on the banks, difficult to sell; of late, the domestic sizes have been piling up. Obviously one size cannot be produced without the other, and the proportion of each size produced cannot be easily or economically changed. The result on prices is clear; a downward trend in cobbles, and an upward trend in buckwheats.

Welsh producers, and Canadian importers, have installed machinery for breaking large coal so as to produce a larger proportion of buckwheats, but beyond a very limited increase, the costs of thus manufacturing buckwheat sizes have proved to be too high. The Welsh exporters have tried to ease their immediate problem by refusing to sell buckwheats unless the importer agrees to take a certain proportion, often an equal amount, of domestic sizes. But

the immediate result of this has been to send the Canadian buyers to Germany, Belgium and Indo-China.

The inevitable result of such a major shift in demand must be to force a rearrangement of the two sets of prices. There are not separate costs for producing cobbles and for producing buckwheats. The two are joint products of a single process. The Welsh producer in the long run must cover his costs from his total sales realization, and the price of each of the joint products will be determined by the relative strengths of the several demands.

(b) Wholesale Prices in Canada:

An effort was made to determine the basis on which the importing companies fixed the price to the dealers.

Montreal:

The following are the items which enter into the establishment of wholesale costs in Montreal:

- (1) Exporter's price c.i.f. Montreal;
- (2) Cost of sterling;
- (3) Customs duties;
- (4) Harbour dues;
- (5) Dock rental;
- (6) Handling (discharging and screening);
- (7) Loss from breakage—degradation;
- (8) Selling, administrative and general overhead costs.

(1) **Exporters Price c.i.f. Montreal.**—We have already discussed the variations of c.i.f. costs Montreal. After considering the other items an application will be made to specific cases.

(2) **Cost of Sterling.**—Importers contract to buy coal at certain prices in shillings, c.i.f. Montreal. The cost in Canadian dollars, therefore, depends on the rate of sterling exchange. The following table gives the variations in sterling exchange for the years 1932-36:

STERLING QUOTATIONS AT MONTREAL, 1932-1936
(Monthly Averages)

	1932	1933	1934	1935	1936
	\$	\$	\$	\$	\$
January.....	4.028	3.847	5.070	4.887	4.986
February.....	3.959	4.099	5.078	4.883	4.894
March.....	4.064	4.134	5.107	4.825	4.978
April.....	4.173	4.234	5.148	4.862	4.967
May.....	4.157	4.498	5.100	4.935	4.980
June.....	4.205	4.615	5.012	4.943	5.033
July.....	4.087	4.931	4.985	4.967	5.027
August.....	3.975	4.787	4.951	4.993	5.027
September.....	3.847	4.639	4.885	4.970	5.037
October.....	3.723	4.787	4.843	4.978	4.897
November.....	3.760	5.082	4.872	4.978	4.883
December.....	3.787	5.096	4.887	4.976
Average.....	3.979	4.586	4.993	4.933	4.973

The actual average cost of sterling to an importer in any given season is not necessarily the same as the average rate for the year. In 1933, for example, at least one importer covered his whole requirements for the year at the rates prevailing in the spring months. In 1934, 1935 and 1936, however, the average cost of sterling actually purchased by importers has been within 3 or 4 cents of the average annual rate.

(3) **Customs Duties.**—Anthracite coal enters Canada free under the British Preferential Tariff, but under the Intermediate and General Tariff it is subject to a duty of 50 cents a ton and to the 3 per cent excise tax on imports. To the c.i.f. costs of overseas anthracite, other than Welsh and Scotch, there must be added these charges which amount to between 60 and 65 cents a ton on back-wheat sizes, and 70 to 75 cents a ton on domestic sizes. In the case of domestic sizes these duties are reflected almost exactly in the differences in c.i.f. prices, Welsh domestic sizes on the average realizing to the exporter almost exactly three shillings a ton more than the German. In the small sizes, where there is a definite shortage of Welsh, the average spread between Welsh and German c.i.f. prices is only about half the duty and excise.

(4) **Harbour Dues.**—The harbour dues of 9 cents a ton, payable by all companies alike, are fixed by the Harbours Board.

(5) **Dock Rental.**—The charge for dock rental is also made by the Harbours Board and beyond the control of the companies. It is 10 cents per square foot per year. The actual per ton cost will vary with the different companies, depending upon the turnover during the year. Costs appear to vary between 8 and 12 cents per ton, depending on the quantity handled.

(6) **Handling (Discharging and Screening).**—The cost of unloading varies with different companies, depending upon the methods used in doing the work. For example, the British Coal Corporation pays the St. Lawrence Stevedoring Company a fixed rate of 85 cents per ton for unloading, storing (including dock rental) and screening. In the case of "larger" coal, which is put through a breaking process, the charge is 95 cents per ton. This covers all the anthracite handled for the Canadian Import Company, the F. P. Weaver Company, and Hartt and Adair. The Scotch Anthracite Company has its own equipment for handling, the charge being the actual cost. Other importers use the equipment of the Harbours Board for unloading, at a cost of \$8 per hour for the machinery and its crew, but to this must be added the cost of the stevedoring work on board the ship itself. The prevailing rates charged by companies for unloading only or transshipping for parties other than themselves is between 35 cents and 40 cents.

(7) **Loss from Breakage.**—Reference has been made previously in this Report to the tendency of anthracite to break down to small sizes and dust during the process of transportation and handling. This process is commonly referred to as degradation. In the trade, machinery is used for screening the various sizes out and special names have been assigned to them. The following table, copied from the 1933 Report, gives the names of the various sizes of Welsh anthracite as taken from the screens, with the corresponding sizes and names for Scotch and American anthracite. It is usual to speak of the sizes above thirteen-sixteenths of an inch as "Domestic" sizes, and from thirteen-sixteenths to three-sixteenths of an inch as "Blower" or "Industrial" sizes. The difference in prices for the domestic sizes, either wholesale or retail, is small as they are of practically equal utility for the purposes for which they are used, the 2½" to 1½" size (French Nuts) commanding a small price premium.

SIZES OF WELSH, SCOTCH AND AMERICAN ANTHRACITE AS SCREENED AT MINES

Welsh	Screens		Scotch	Screens		American	Screens	
	Through	Over		Through	Over		Through	Over
Large.....		6						
Machine made cobbles.....	4	2½	Chirles.....	5	3	Broken.....	4½	3½
Screened cobbles.....	3	1½	Cobbles.....	3	2	Furnace or egg.....	3½	1 11/16
French nuts.....	2½	1½	Trebles.....	2½	1½	Stove.....	1 11/16	1½
Stove nuts.....	1½	¾	Doubles.....	1½	1	Chestnut.....	1½	13/16
Peanuts.....	1½	¾	Singles.....	1	¾	Pea.....	13/16	9/16
Beans.....	1½	¾	Pearls.....	¾	¾	Buckwheat No. 1.....	9/16	5/16
Peas.....	¾	¾	Beans.....		3/16	Buckwheat No. 2 (rice).....	5/16	3/16
			Peas.....		3/16	Buckwheat No. 3 (Barley).....	3/16	3/32
Grains.....	¾	¾						

The following table taken from the 1933 Report (p. 32) gives the names under which the various sizes of Welsh, Scotch and American anthracite are sold on the Canadian market:

COMPARABLE SIZES OF WELSH, SCOTCH AND AMERICAN ANTHRACITE AS RETAILED IN CANADA

(Names in brackets are of corresponding size in country of origin)

Market	Welsh	Scotch	American
Montreal and area served therefrom	Cobbles French Nuts Peas (Beans) Buckwheat No. 1 (Peas) Buckwheat Nos. 1 and 2 (Peas and Grains)	Cobbles Domestic (Trebles) Peas (singles) Buckwheat No. 1 (Pearls) Beans and Peas	Egg and Stove Stove Pea Buckwheat No. 1 Buckwheat Nos. 1 and 2
Toronto.....	Cobbles (a mixture of cobbles, French Nuts, Stove Nuts, and Peanuts) Blower (a mixture of Beans, Peas and Grains)		Egg, Stove and Chestnut Buckwheat Nos. 1 and 2

It will be seen that on the Montreal market the number of prepared sizes is greatly in excess to that in Toronto, Welsh anthracite in Montreal being sold in six sizes while in Toronto only two are demanded. This is another way of saying that the Welsh anthracite is much more specifically prepared in Montreal than in Toronto.

Degradation is one of the most important items of cost. This is due to the difference in price obtainable for the large coal and for the smaller sizes. It is a very important item in the case of friable coals such as Welsh anthracite. In the case of Welsh anthracite it is exaggerated too, by the number of handlings the coal has to be given. It is loaded on cars at the mine to be taken to the ship by rail, loaded on the ship, subjected to the movement of the ship on the

voyage, unloaded again with heavy machinery and often transferred from the front to the back of the dock. If reshipped, either by rail or by water, it receives two additional handlings.

It is generally estimated that a hundred tons of Welsh cobbles, properly cleaned at the mine before shipment, will have shrunk to 75 tons of the original size before delivery to the customer, with the remaining 25 tons of varying small sizes which have to be sold at a lower price per ton than the cost of the original cobbles. The loss on the price of the 25 tons, therefore, is an important consideration in fixing the price at which the coal is to be sold.

The amount of degradation on Scotch anthracite is said to be a little less than on Welsh; that on German and Belgian is believed to be about the same as Welsh; but for these we have no accurate figures. Indo-Chinese coal is said to be of a substantially harder structure than Welsh. The Russian contract with the F. P. Weaver Company guaranteed a degradation of not more than 11 per cent. American anthracite is very much the hardest type, and the degradation on domestic sizes is not more than 5 per cent.

Considerable difficulty was experienced in arriving at a definite estimate of the losses due to degradation. The value of this item is important as an error would affect inventories at stock-taking. The only accurate method of determining it where accumulated piles are concerned would be to sample the coal for small sizes and measure the pile by engineering methods.

Different importing companies gave estimates of the item varying, for cobbles, from \$1.20 to \$2.38 per ton. For buckwheat No. 1, the loss is approximately 20 cents per ton.

A. A. Crawley and Company, accountants for the 1933 investigation, in summarizing their examination of the situation for 1930-31-32 gave the following estimate of returns for imported cobbles after screening process is completed:

Cobbles	75.12 per cent
Buckwheat No. 1	3.34 "
Screenings	20.43 "
Loss	1.11 "

Or from 2,663 pounds of cobbles imported, there were:

Prepared Cobbles	2,000 pounds
Buckwheat No. 1	89 "
Screenings	544 "
Loss	30 "

On this basis the degradation on cobbles for 1936 amounts to \$1.48 per ton.*

John D. Baille, President of the Susquehanna Collieries, estimated that of imported cobbles after the screening process is completed would yield:

Cobbles	72 per cent
Buckwheat	14 "
Screening	14 "

Or, from 2,777 pounds of cobbles imported, there were:

Prepared Cobbles	2,000 pounds
Buckwheat	389 "
Screenings	388 "

NOTE.—(*A. A. Crawley and Company in 1932 stated that the percentages which they gave in their report on which the above is based were "on the basis of actual experience, details of the degradation which took place in respect of anthracite discharged at Vulcan Dock and Bickerdike Pier during 1930, 1931 and 1932".)

In the statement of degradation furnished by the British Coal Corporation, the primary cost was taken as the c.i.f. cost, plus wharfage and insurance and handling charges, plus an allowance for shrinkage of 1 per cent. Their estimate of returns from imported cobbles is—

Cobbles	67 per cent
Pea	4 "
Buckwheat No. 1	4 "
Screenings	25 "

Or, from 2,985 pounds of cobbles imported—

Prepared Cobbles	2,000 pounds
Pea	120 "
Buckwheat No. 1	120 "
Screenings	745 "

On this basis the cost of degradation on imported cobbles for 1936 season would amount to \$2.38 per ton.

In the contract between Hartt and Adair and the St. Lawrence Stevedoring Company, the Stevedoring Company agrees to deliver to Hartt and Adair 70 tons of cobbles or nuts, 4 tons of Buckwheat No. 1, 4 tons of Buckwheat No. 2, and 22 tons of Standard Screenings for every 100 tons of cobbles unloaded from vessels.

In the case of large anthracite brought in and broken down to the sizes demanded by the consuming public, A. A. Crawley and Company estimated the percentages of the various sizes obtained as follows:

Cobbles	58.5 per cent
Pea	5.3 "
Buckwheat No. 1	7.09 "
Buckwheat No. 2	7.9 "
Screenings	20.72 "
Loss	0.49 "

The British Coal Corporation's estimate is as follows:—

	Per cent
Cobbles	55.75
Pea	4.0
Buckwheat No. 1	8.5
Buckwheat No. 2	8.5
Screenings	23.75

The British Coal Corporation's estimate of loss per ton on cobbles derived from large coal is \$1.06 more than an estimate based on the percentages used by the A. A. Crawley Company.

As previously stated, we have no way of checking this item, but call attention to the fact that if the A. A. Crawley Company's estimate is a correct one, then the value of the inventory of the anthracite on hand given by the British Coal Corporation to P. S. Ross and Sons for their audit, is greatly under-stated. Further, it will be obvious that if this is the case, then the profits of the British Coal Corporation, as disclosed by its financial statements, and its per ton profits, as set out on page 77 of this Report, are also understated.

(8) Selling, Administrative and General Overhead Costs.—These cannot be calculated on a per ton basis for individual sizes of coal. They are, however, shown on the tables summarizing total operations. They include, of course, selling and advertising expenses, executive and office salaries, rent, taxes, insurance, depreciation, legal fees, and many other minor expenses. These must all be paid out of the importer's gross margin as shown in the following tables.

ROYAL COMMISSION

BRITISH COAL CORPORATION—MONTREAL
SCREENED COBBLES FROM IMPORTED COBBLES

Price at mine per short ton.....		(1936)
Rail rate to docks.....	2/-	\$ 5 97
Wagon hire.....	9	
Dock charges, weighing, tipping, etc.....	9½	
Insurance.....	3	0 80
Ocean freight Swansea to Montreal 6/10½.....		1 53
		<hr/> 2 33
Deduct 2% address commission and 2% in lieu of weighing.....		8 30
		<hr/> 0 06
		<hr/> 8 24
<i>Degradation</i>		
Additional 663 lbs. of cobbles at \$8.24.....	2 73	
Deduct proceeds 89 lbs. buckwheat at \$6.67 and 554 lbs. screenings at \$3.50.....	1 25	1 48
*Net cost 1 ton cobbles c.i.f. Montreal.....		9 72
Harbour dues.....		0 09
		<hr/> 9 81
Importer's margin (unloading, screening preparation and handling, storage, selling costs, administration, coal inspection, taxes, profits, etc.).....		0 44
Importer's selling price to dealer, October, 1936.....		10 25
Montreal dealer's gross margin.....		2 75
		<hr/> \$13 00
30 lbs. lost in handling.		
*(Based on sterling at \$5. For every five cents reduction in cost of sterling deduct eight cents from c.i.f. cost and add eight cents to importer's gross margin.)		

COBBLES DERIVED FROM IMPORTED LARGE COAL

Price at mine per short ton.....		(1936)
Rail rate to docks.....	2/-	\$ 4 77
Wagon hire.....	9	
Dock charges, weighing, tipping, etc.....	9½	
Insurance.....	3	0 80
Ocean freight Swansea to Montreal, 6/10½.....		1 53
		<hr/> 2 33
		<hr/> 7 10
Deduct 2% address commission and 2% in lieu of weighing.....		0 06
		<hr/> 7 04
<i>Degradation</i>		
Additional 1,419 lbs. large coal at \$7.04.....	4 09	
Deduct proceeds 181 lbs. peas at \$8.50; 242 lbs. No. 1 buckwheat at \$6.67; 270 lbs. No. 2 buckwheat at \$6.08, and 708 lbs. screenings at \$3.50.....	3 64	1 35
*Net cost 1 ton cobbles c.i.f. Montreal.....		8 39
Harbour dues.....		0 09
		<hr/> 8 48
Importer's margin (unloading, screening, preparation and handling, storage, selling costs, administration, coal inspection, taxes, profits, etc.).....		1 77
Importer's selling price to dealer, Montreal, October, 1936.....		10 25
Montreal dealer's gross margin.....		2 75
		<hr/> \$13 00
*(Based on sterling at \$5. For every five cents reduction in cost of sterling deduct seven cents from c.i.f. cost and add seven cents to importer's gross margin.)		

ANTHRACITE COAL

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BRITISH COAL CORPORATION—MONTREAL—*Con.*
OVERSEAS BUCKWHEAT No. 1

		(1936)
Price at mine per short ton.....		\$ 4 25
Rail rate to docks, etc.....	0 80	
Ocean freight	1 53	2 33
		<hr/>
Deduct 2% address commission and 2% in lieu of weighing.....		0 58
		0 06
		<hr/>
		6 52
<i>Degradation</i>		
Additional 100 lbs. of buckwheat at \$6.47 per ton.....	0 32	
Deduct proceeds 100 lbs. of screenings at \$3.50.....	0 17	0 15
		<hr/>
*Net cost 1 ton No. 1 buckwheat c.i.f. Montreal.....		0 67
Harbour dues		0 09
		<hr/>
		6 76
Importer's margin (unloading, screening, preparation and handling, storage, selling costs, administration, coal inspection, taxes, profits, etc.)		1 29
		<hr/>
Importer's selling price to dealer, October, 1936.....		8 05
Montreal dealer's gross margin.....		1 95
		<hr/>
Selling price to consumer, Montreal, October, 1936.....		10 00
		<hr/> <hr/>

Toronto, Quebec and the Maritime Provinces:

In the case of Toronto, for overseas anthracite, there are additional charges for transference to small draught vessels and for freight from Montreal. In the case of interior points, there are the costs of loading onto cars and freight. In Quebec the conditions are similar to Montreal. On shipments from Wales to the Maritime Provinces ocean freights are somewhat higher due to the use of smaller vessels.

The following table shows the prime cost, (that is, the cost alongside dock before unloading and with no allowance for degradation) the wholesale price and importer's gross margin for the British Coal Corporation from 1929 to 1936. It will be seen from the table that the *cost c.i.f. Montreal* of all grades of anthracite are somewhat higher in 1936 than they were in 1935. The *wholesale price* for cobbles and French nuts is \$1.00 less; for Buckwheats No. 1 and 2, 35 cents less, and there has been a gradual shrinkage in spread between prime costs and wholesale prices during 1935-1936.

* (Based on sterling at \$5. For every five cents reduction in cost of sterling deduct seven cents from c.i.f. cost and add seven cents to importer's gross margin.)

ROYAL COMMISSION

Size of coal		(1) Prime Costs (c.i.f. Montreal)		(2) Wholesale Prices (Ex dock prices for Dec. less cash discounts)		Difference between (1) and (2)	
		\$	cts.	\$	cts.	\$	cts.
Cobbles.....	1929	8	64	13	00	4	36
	1930	8	86	13	00	4	14
	1931	8	32	12	70	4	38
	1932	7	33	11	75	4	42
	1933	7	38	12	00	4	62
	1934	8	02	12	25	4	23
	1935	8	00	11	25	3	25
1936*	8	24	10	25	2	01	
French Nuts.....	1929	8	59	13	45	4	86
	1930	8	93	13	45	4	52
	1931	8	32	12	95	4	63
	1932	7	52	12	00	4	48
	1933	7	38	12	25	4	87
	1934	8	02	12	50	4	48
	1935	8	00	11	50	3	50
1936*	8	24	10	50	2	26	
Buckwheat No. 1.....	1929	5	47	7	50	2	03
	1930	5	00	8	00	2	10
	1931	5	74	7	90	2	16
	1932	5	15	7	55	2	40
	1933	5	21	7	55	2	34
	1934	5	65	8	30	2	65
	1935	5	98	8	40	2	42
1936*	6	52	8	05	1	53	
Buckwheat No. 1 and 2.....	1929	5	21	6	85	1	64
	1930	5	58	7	35	1	77
	1931	5	39	7	25	1	86
	1932	4	85	6	90	2	05
	1933	5	05	6	90	1	85
	1934	5	48	7	65	2	17
	1935	5	51	7	75	2	25
1936*	6	14	7	40	1	26	

* Based on sterling at \$5.00. For every 5 cents reduction in sterling deduct 8 cents from prime cost of cobbles and French nuts, 7 cents from buckwheat No. 1, and 6 cents from Buckwheat No. 2, and add same to gross margin.

The following tables show the 1936 costs per ton of the British Coal Corporation on three types of coal, and additional tables give the summarized results of operations of the Canadian Import Company at Quebec, the British Coal Corporation and the Canadian Import Company at Montreal, and the Scotch Anthracite Company at Montreal.

SUMMARY OF QUEBEC OPERATIONS OF CANADIAN IMPORT COMPANY, INCLUDING DISCHARGING, PREPARATION AND HANDLING AT ACTUAL COST TO ST. LAWRENCE STEVEDORING COMPANY, LIMITED

TWO YEARS ENDED DECEMBER 31, 1935

Total tonnage..... 271,002 Net Tons

	Average per Ton
Net value of sales.....	\$ 8 21
Net cost of sales (including purchases, carryover from previous year, import tax, wharfage dues, unloading, handling and preparation costs, etc.).....	6 84
Gross profit.....	1 37
Selling administrative and general expenses.....	0 57*
Provision for bad debts.....	0 80
Net profit before Income Tax.....	0 07
	0 73

* Of this item .31 charged for office and executive salaries. This is greatly in excess of charge elsewhere.

An effort was made to obtain similar information in regard to costs of Toronto importers but, owing to the manner in which their accounts have been kept, it has been found impossible to separate the figures in respect to anthracite from those relating to other fuels. The following summary of The Milnes Coal Company, covering all its operations, is, however, available.

SUMMARY OF OPERATIONS OF THE MILNES COAL COMPANY, LIMITED, TORONTO,
WHOLESALE AND RETAIL, INCLUDING ANTHRACITE, BITUMINOUS AND COKE

(Years ending April 30th)

Total Tonnage

1932-33.....	372,475
1933-34.....	298,650
1934-35.....	280,503
1935-36.....	267,582

	Average per Ton			
	1932-33	1933-34	1934-35	1935-36
	¢	¢	¢	¢
Net Value of Sales (including commissions received from Amalgamated Collieries on Welsh coal sold in Ontario).....	4 85	6 36	6 53	7 08
Cost of Sales.....	4 23	5 64	6 10	6 46
Gross Profit.....	0 65	0 72	0 63	0 62
Selling Expense.....	0 04	0 09	0 08	0 08
Administrative and General Expense.....	0 10	0 16	0 14	0 15
Operating Profit.....	0 41	0 47	0 41	0 39
Miscellaneous Income.....	0 02	0 02	0 03	0 10
Miscellaneous Charges.....	0 10	0 12	0 06	0 06
Net Profit before Income Tax.....	0 33	0 37	0 38	0 43

Importer's Profits:

Importer's profits on a per ton basis have been given in the four preceding tables. It has already been explained that your Commission did not have its own accountants to examine these books. The analyses have been based on the companies' own statements as certified by their own auditors.

The auditors for the Canadian Import Company, Montreal, in submitting that statement have explained that they used the same methods in preparing their statement as were used by A. A. Crawley and Company, accountants for the Government in the 1933 investigation, except that in the years 1933 to 1935 a somewhat higher percentage of administrative costs have been allocated to anthracite operations.

The profits per ton statement for neither the Quebec nor the Montreal divisions of the Canadian Import Company include commissions received on sales of Amalgamated Collieries coal in the Maritime Provinces and Ontario. These commissions amounted to \$32,000 on 247,000 tons of coal in 1933; \$28,000 on 235,000 tons in 1934; and \$25,000 on 201,000 tons in 1935. The commissions received by the Milnes Coal Company are included in its net value of sales, the amounts being \$25,000 on 148,000 tons of coal in 1933-34; \$28,000 on 169,000 tons in 1934-35; and \$22,000 on 117,000 tons in 1935-36.

An examination of the balance sheets and profit and loss accounts of the importing companies shows that only Canadian Import Company, F. P. Weaver Company, Scotch Anthracite Coal Company, and Milnes Coal Company have made substantial profits in the years under review. Mongeau and Robert and Elias Rogers Company have made small profits; Halliday Brothers and S.

Cunard and Company have made small losses; and Hartt and Adair, very large losses. These financial statements, of course, include all operations of the companies, not merely anthracite coal operations!

Your Commission believes it is justified in calling special attention to the profits of the St. Lawrence Stevedoring Company. This company has practically no commercial risks; it does not buy or sell coal; it merely unloads, prepares and delivers coal for the companies of the Webster group and, in addition, unloads or tranships coal and small quantities of other commodities for other occasional customers. The St. Lawrence Stevedoring Company has outstanding \$200,000 of fully paid capital stock; its permanent assets are valued at \$146,000; its accounts receivable (due almost entirely from the British Coal Corporation) are \$470,000; its cash on hand \$60,000. In the three years 1933, 1934, and 1935 its net profits were \$360,000, \$391,000 and \$250,000; a total of over \$1,000,000, or an average of 167 per cent per annum on its paid-up capital stock. In other words, the rates it charges its own associated companies are grossly out of proportion to its costs of operation and the responsibilities it assumes.

(c) Method of Establishing Wholesale Prices:

Montreal:

Previous to 1932, as shown by the 1933 Report, a definite agreement as to wholesale prices had been reached between the importing companies in Montreal. An effort was made to extend this to include retail prices as well. After the judgment of the Courts declaring such action illegal, all price fixing efforts apparently ceased. Your Commission made an effort to determine whether any roundabout method of continuing these practices was in operation. No evidence was found to show that conferences for the fixing of prices had been held since 1932. (See Evidence, pp. 180, 287, 394, 440.) At present, theoretically, there appears to be complete freedom of action. In practice, however, the dominant position of British Coal Corporation and its associated companies largely determines the maximum prices for Montreal and the Province of Quebec. Generally speaking, all the companies importing overseas anthracite await the action of British Coal Corporation and fix their prices in relation thereto. (Evidence, p. 75.) It is clear that whatever underselling may occur, the maximum price is that set by British Coal Corporation. As long as German anthracite was kept out of Canada or its price c.i.f. Montreal was controlled by T. T. Pascoe Company, the volume of purchases by the Webster group gave them practically price control.

A new set of circumstances, however, developed in 1936 when the German cartel made a sharp reduction in its prices and independent importers began to bring in German and Belgian anthracite at prices considerably below the prevailing prices for Welsh. As a result a definite cut in price below that fixed by British Coal Corporation was possible.

It is the usual custom for British Coal Corporation to fix a price in April, this price holding until midsummer, then a gradual rise in prices until December. By referring to the tables on page 84 it will be seen that in 1933 the April wholesale price for cobbles was \$11.00; in August this was raised to \$11.25 with a slight increase monthly until in December it was \$12.00; in 1934 the May price was \$11.75 and the December \$12.25; in 1935 the April price was \$10.25 and rose to \$11.25 in December. This plan of seasonal variation has been a custom of the anthracite trade for nearly forty years. While the foregoing applies to cobbles, the tables will show that such was not the case with regard to the small sizes. Taking Buckwheat No. 1 as an illustration—the price in January, 1933, was \$7.55 which remained firm until April, 1934, when there was an increase of 75 cents, which went forward to April, 1935, when there was a further increase of 10 cents which continued until April, 1936, when a further increase of 25 cents was made.

In April, 1936 the announcement of its prices by British Coal Corporation was promptly followed by similar prices being set by other companies, with the

exception of the Iroquois Fuel and Coal Company, Limited. The British Coal Corporation issued its first circular on April 14th, fixing its prices, ex-dock, at \$10.25 for cobbles and \$8.65 for Buckwheat No. 1. The second circular was issued on May 22, raising the price of cobbles to \$10.50 and leaving the Buckwheat No. 1 the same price as previously, \$8.65. Then, early in June, without circularizing the trade but giving information to their own dealers through their salesmen, the price of cobbles was reduced to \$10.00 and of Buckwheat No. 1 to \$8.05, this price being made retroactive to May 1. The other companies were compelled to follow suit. The evidence shows that some of the importers attempted to carry on at the prices announced on May 22, but soon found it necessary to meet the British Coal Corporation's price. According to Mr. Aird's evidence, supported by his cost sheets, the price of \$10.00 per ton for cobbles meant a substantial loss per ton.

Mr. Lemieux, of Mongeau and Robert, made the following statement:

"Q. Do you consider the prices are more flexible today than they were in 1933?—A. Yes.

"Q. Who has the say-so? Are there any importing companies which cause the prices to oscillate?—A. There are some importers who are much more important than we are, and, naturally, we follow their prices rather than to try to fight them.

"Q. Who are they?—A. Canadian Import, Weaver Coal, Hartt and Adair, Scotch Anthracite.

"Q. Would it be possible for you to fix prices without taking theirs into account?—A. We certainly couldn't sell dearer than they do.

"Q. Could you sell cheaper?—A. Not at the moment.

"By Mr. Geoffrion: Q. Why?—A. Their prices are too low."

(Evidence pp. 518-519)

On this topic Mr. Forsyth, in his evidence states:

"We ascertained, also from outside sources, that they were proposing to make a substantial cut,—that a substantial cut was about to be made in the wholesale prices of certain sizes of coal. Having that information we had to consider what we had to do about it. We tried to maintain our prices for, I think, four or five days, but we found we could not do it. Our customers called us up and told us they were getting lower quotations from other people, and it became apparent to us if we wanted to hold our business we had to do something about the price—and we did so."

(Evidence p. 876)

Mr. John D. Baile, of Susquehanna Collieries, made the following statement pertinent to the issue:

"Q. How do you fix prices at the beginning of the season then?—A. We try to follow the leaders.

"Q. Try to follow the leaders?—A. Yes.

"Q. Who are the leaders?—A. I should say the largest importers are the leaders.

"Q. And so far as you can say, who are the largest importers?—A. I would say British Coal Corporation are, without doubt the largest.

"Q. Who is the leader in Montreal?—A. They are the importers. Evidence has been given as to their distributors.

"Q. Yes. But do you consider British Coal Corporation is the leader in Montreal?—A. Undoubtedly, yes.

"Q. So you try to follow the prices determined at the opening of the season by British Coal Corporation?—A. Yes, circulars are sent out on their basis.

"Q. In other words, before fixing your prices you wait until British Coal Corporation has issued its own circulars.—A. Yes, that is what we do, yes.

"Q. The same policy every year?—A. Yes."

(Evidence pp. 343-344)

The level at which prices will be established depends on a number of factors. Mr. Forsyth of the Scotch Anthracite Coal Company describes this process in the following words:

"Q. Now, as to prices. What are the main factors that determine the raising or lowering of prices?—A. Well, there are a good many different things. In the first place there is always the American price. This is an important factor. There is, of course, the question of how much you pay for your coal, how much it costs you to sell it, and there is also the question of what competitors are asking for their coal. My experience has been that anybody with substantial quantities of coal and who establishes a price, nobody can get a higher price than they.

"Q. So that would be the most important factor you have to take into consideration?—A. I think the price of competitors is a very important fact, no doubt."

(Evidence pp. 869-870)

Quebec:

In Quebec, as far as Overseas anthracite is concerned, there is a complete monopoly. This passed into the hands of the Canadian Import Company when the interests of R. G. Lane were indirectly acquired by Senator Webster. Lane and Robitaille have ever since purchased their anthracite in cargo lots from the Canadian Import Company. They have become almost exclusively retail dealers.

As a rule, wholesale prices are higher in Quebec than in Montreal, but retail prices are lower. For details see table below and pages 84, 86, 88.

Toronto:

The way in which wholesale prices are established in Toronto is much the same as in Montreal. In Toronto the wholesale price for Overseas anthracite is announced by the F. P. Weaver Company, and the other wholesalers follow this price. Toronto wholesale prices for Welsh are usually about \$1.25 above Montreal prices, due largely to additional transportation costs. Through freight rates by small ocean vessels, Swansea to Toronto, are about four shillings (\$1.00) higher than to Montreal. If the coal is transhipped from large ocean to small lake vessels at Montreal the cost is 35 to 40 cents a ton for transshipment and 60 to 75 cents a ton for freight, or a total extra cost of 95 cents to \$1.15. The rail freight from Montreal to Toronto is \$1.50 a ton.

American anthracite is a much more important competitive factor in Toronto than in Montreal. In Toronto Welsh anthracite still commands a premium of 50 cents to \$1.00 a ton over American, in spite of the fact that the retailer's gross margin is much smaller for Welsh.

So far as retail prices in Toronto are concerned—to which we will refer later—the price announced by the Milnes Coal Company for Overseas anthracite is the ruling price, and for American anthracite the price leader is the Elias Rogers Company.

WHOLESALE PRICES (LESS CASH DISCOUNT), QUEBEC, MONTREAL AND TORONTO IN DECEMBER EACH YEAR 1930-1936

	1930	1931	1932	1933	1934	1935	1936
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Buckwheat (Welsh) Québec.....	7 75	7 75	7 25	8 50	8 50	8 50	8 25
Montreal.....	8 00	7 90	7 55	7 55	8 30	8 40	8 C5
Toronto.....	9 00	8 80	7 70	8 25	9 50	9 50	9 25
Cobbles (Welsh) Québec.....	12 75	13 00	12 25	12 50	12 50	11 50	11 25
Montreal.....	13 00	12 70	11 75	12 00	12 25	11 25	10 25
Toronto.....	14 60	13 95	12 05	12 25	12 50	12 50	12 50
Stove (American) Québec.....	13 50	13 50	12 25	12 00	12 50	11 30	11 25
Montreal.....	12 60	12 73	12 31	12 23	11 36	11 51	10 81
Toronto.....	12 25	12 38	11 96	11 19	11 19	11 35	10 65

A comparison of the wholesale prices in Quebec, Montreal and Toronto suggests the following comments:

The spreads between Montreal and Toronto prices for Welsh conform fairly consistently to the additional transportation costs involved. Toronto, however, did not get the benefit of the Montreal fall in prices in 1935, nor of the further decline in 1936. On the whole, Welsh anthracite in Montreal, especially in the blower sizes, is cleaner and better prepared than in Toronto. On the basis of importer's gross margins there is no excuse for this difference in quality.

There seems to be no reason, except the absence of competition, to account for the persistently higher prices in Quebec as compared with Montreal.

The generally downward trend in wholesale prices in Montreal since 1933, in the face of a rise of 25 per cent in the price of sterling deserves special notice. The Montreal importer's gross margin as a percentage of his c.i.f. costs has been as follows:

	1930	1931	1932	1933	1934	1935	1936
	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.	p.c.
Cobbles.....	47	53	60	63	53	41	24
Buckwheat.....	36	38	47	45	47	40	23

Your Commission cannot escape the conclusion that the significant change in the trend of these margins after 1933 was in large measure due to the inquiry made under the Combines Investigation Act in 1933, the subsequent criminal prosecutions, and the salutary publicity which these proceedings received.

(d) Method of Establishing Retail Prices:

Montreal:

In the 1933 Report it will be found that between the years 1930 and 1932 efforts were made to establish a retail price by agreement between the importers and an association of retail dealers. The penalty for failure to observe these prices was the refusal of supplies by wholesalers and importers. Because the importers were advised by counsel that it would be clearly illegal to impose such penalties, apparently no action of this sort was taken. It was found that without the imposition of penalties the retail dealers could not be kept in line. No evidence has been submitted to your Commission that any similar action has been taken since 1932. Companies doing only wholesale business declared positively that they did not seek to influence retail prices. This was left entirely to the dealers themselves. (Evidence p. 173; p. 1399.) This applied even to their own subsidiaries. This, of course, could not apply to companies doing both wholesale and retail business.

Apparently the *modus operandi* for the establishment of retail prices is similar to that of wholesale prices, namely, in the spring some of the large retailers publish a price list. That price list establishes the maximum price that can be obtained for anthracite of a similar quality. Other dealers follow suit, generally fixing the same price. Such prices, however, merely fix the maximum that can obtain for coal of similar quality. Apparently the actual price at which the consumer purchases coal may lie anywhere between this maximum and the amount the dealer paid for the coal plus cartage.

The tables on page 84 show the prices circularized to the trade, wholesale and retail, month by month from January, 1933 to June, 1936. This table can be read in connection with Table 8, page 53 of the 1933 Report.

Quebec:

In Quebec the dominant company in retail, as in wholesale, is the Canadian Import Company. All dealers in both overseas and American anthracite purchase their supplies from the Canadian Import Company which company, in addition to its wholesale business, does at least one-third of the retail trade. Both wholesale and retail prices, therefore, are subject to the control of the Canadian Import Company in Quebec.

The Dominion Bureau of Statistics shows 51,888 tons of American anthracite imported for the two years ending December 31, 1935, and the Canadian Import Company shows sales of 49,215 tons of American anthracite during the same period.

As might be expected, the variation in price over a period of years, as well as during any given year, shows little fluctuation. The margin of profit to the retailer on both Welsh cobbles and American stove, is also nearly constant. The table on page 88 shows that the retailer's margin has been from \$2.00 to \$2.25 since 1932, except for one month, May, 1936, when it was \$1.50 for a short time. On Welsh buckwheats the margin has been uniformly smaller, and shows greater variation, the variation being from \$1.75 in 1933 to \$1.00 in 1936, the average over the whole period being approximately \$1.50.

The table on page 88 shows the comparative cost and prices of Welsh and American anthracite.

Toronto:

The method of establishing retail prices in Toronto is similar to that in Montreal. The Milnes Coal Company, one of the largest importers and one of the largest retail dealers in Toronto, sets the retail price for Welsh anthracite. The Elias Rogers Company sets the retail price for American anthracite. The prices set by these two companies are maximum prices.

(Evidence pp. 2627-2631.)

The tables on pages 90 and 91 show the wholesale and retail prices, month by month from 1933 to June, 1936, for both Welsh and American anthracite.

It will be noted that while Welsh anthracite brings a substantial premium over American, the margins of profit to the retailer are much greater in the latter case. This is one of the reasons why retailers in Toronto prefer to sell American anthracite, and make a special effort so to do although the demand for Welsh is increasing.

Ottawa:

The wholesale and retail prices prevailing in Ottawa, month by month, from January 1933 to June 1936, will be found in the tables on pages 92, 93.

RETAILERS' ANTHRACITE COSTS, CIRCULAR PRICES AND MARGINS AT MONTREAL 1933-1936
 WELSH AND SCOTCH COBBLES AND AMERICAN STOVE

(Costs and Prices on Cash Basis)

Month and Year	Welsh Cobbles				Scotch Cobbles				American Anthracite—Stove Size				
	Wholesale Price ex Dock	Circular Retail Price	Dealer's Margin	Wholesale Price ex Dock	Circular Retail Price	Dealer's Margin	Cash Price f.o.b. Mines	Duty	Excise Tax	Freight	Cost to Retailer	Circular Retail Price	Dealer's Margin
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	cts.	cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1933 January.....	11 75	14 50	2 75	11 75	14 50	2 75	7 05	.50	.26	4 49	12 30	14 75	2 45
February.....	11 75	14 50	2 75	11 75	14 50	2 75	7 05	.50	.26	4 49	12 30	14 75	2 45
March.....	11 75	14 50	2 75	11 75	14 50	2 75	6 05	.50	.24	4 49	11 28	14 75	3 47
April.....	11 00	13 72	2 72	11 00	14 00	3 00	6 05	.50	.24	4 49	11 28	14 75	3 47
May.....	11 00	13 72	2 72	11 00	13 75	2 75	6 05	.50	.24	4 49	11 28	14 00	3 72
June.....	11 00	13 75	2 75	11 00	13 75	2 75	6 30	.50	.24	4 43	11 52	14 00	2 47
July.....	11 00	13 75	2 75	11 00	13 75	2 75	6 55	.50	.23	4 49	11 77	14 00	2 23
August.....	11 25	13 75	2 50	11 25	14 25	2 50	7 05	.50	.25	4 49	12 20	14 75	2 46
September.....	11 75	14 25	2 50	11 75	14 25	2 50	7 05	.50	.25	4 43	12 23	14 75	2 52
October.....	12 00	14 50	2 50	12 00	14 50	2 50	7 05	.50	.25	4 43	12 23	14 75	2 52
November.....	12 00	14 50	2 50	12 00	14 50	2 50	7 05	.50	.25	4 43	12 23	14 75	2 52
December.....	12 00	14 50	2 50	12 00	14 50	2 50	7 05	.50	.25	4 43	12 23	14 75	2 52
1934 January.....	12 00	14 50	2 50	12 00	14 50	2 50	7 05	.50	.25	4 43	12 23	14 75	2 52
February.....	12 00	14 50	2 50	12 00	14 50	2 50	7 05	.50	.25	4 43	12 23	14 75	2 52
March.....	12 00	14 50	2 50	12 00	14 50	2 50	7 05	.50	.25	4 43	12 23	14 75	2 52
April.....	12 00	14 50	2 50	12 00	14 50	2 50	6 05	.50	.20	4 43	11 18	14 75	3 57
May.....	11 75	15 25	3 50	11 75	15 25	3 50	6 20	.50	.21	4 43	11 44	15 00	3 82
June.....	11 75	15 25	3 50	11 75	15 25	3 50	6 35	.50	.22	4 43	11 70	15 00	3 56
July.....	12 25	15 25	3 00	12 25	15 25	3 00	6 50	.50	.23	4 43	11 96	15 00	3 30
August.....	12 25	15 25	3 00	12 25	15 25	3 00	7 05	.50	.23	4 43	11 96	15 00	3 04
September.....	12 25	15 25	3 00	12 25	15 25	3 00	7 05	.50	.24	3 57	11 36	15 00	2 78
October.....	12 25	15 25	3 00	12 25	15 25	3 00	7 05	.50	.24	3 57	11 36	15 00	3 04
November.....	12 25	15 25	3 00	12 25	15 25	3 00	7 05	.50	.24	3 57	11 36	15 00	3 04
December.....	12 25	15 25	3 00	12 25	15 25	3 00	7 05	.50	.24	3 57	11 36	15 00	3 64

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1935	January	12 25	15 25	3 00	12 25	15 25	3 00	7 05	.50	.24	3 57	11 36	15 00	3 64
	February	12 25	15 25	3 00	12 25	15 25	3 00	7 05	.50	.24	3 57	11 36	15 00	3 64
	March	12 25	15 25	3 00	12 25	15 25	3 00	5 80	.50	.20	3 57	10 07	15 00	4 93
	April	10 25	13 00	2 75	10 25	13 00	2 75	5 55	.50	.19	3 72	9 81	15 00	5 19
	May	10 50	13 00	2 50	10 75	13 00	2 25	5 55	.50	.19	3 72	9 83	15 00	2 89
	June	10 75	13 00	2 25	10 75	13 00	2 25	5 80	.50	.20	3 72	10 22	12 75	2 53
	July	10 75	13 50	2 75	10 75	13 50	2 75	6 05	.50	.21	3 72	10 48	13 25	2 52
	August	10 75	13 50	2 75	10 75	13 50	2 75	6 30	.50	.21	3 72	10 73	13 25	2 77
	September	11 25	14 00	2 75	11 25	14 00	2 75	6 55	.50	.22	3 72	10 99	13 75	2 76
	October	11 25	14 00	2 75	11 25	14 00	2 75	7 05	.50	.24	3 72	11 51	13 75	2 24
	November	11 25	14 00	2 75	11 25	14 00	2 75	7 05	.50	.24	3 72	11 51	13 75	2 24
	December	11 25	14 00	2 75	11 25	14 00	2 75	7 05	.50	.24	3 72	11 51	13 75	2 24
1936	January	11 25	14 00	2 75	11 25	14 00	2 75	7 05	.50	.24	3 72	11 51	13 75	2 24
	February	11 25	14 00	2 75	11 25	14 00	2 75	7 05	.50	.24	3 72	11 51	13 75	2 24
	March	11 25	14 00	2 75	11 25	14 00	2 75	7 05	.50	.24	3 72	11 51	13 75	2 24
	April	10 25	14 00	2 75	11 25	14 00	2 75	6 05	.50	.21	3 72	10 48	13 75	3 27
	May	*10 00	13 25	3 25	*10 00	13 25	3 00	6 05	.50	.21	3 72	10 48	13 50	3 02
	June	*10 00	13 25	3 25	*10 00	13 25	3 25	6 15	.50	.21	3 72	10 58	13 50	2 92

*Circular prices May \$10.25, June \$10.50. Reduced June 22nd to \$10.00 retroactive to May 1st.

Notes: Price data furnished by: Welsh—Wholesale Prices, Canadian Import Company, Limited; Retail Prices, Hartt and Adair Coal Company, Limited. Scotch Anthracite Coal Company, Limited. American—Hartt and Adair Coal Company, Limited.

RETAILERS' ANTHRACITE COSTS, CIRCULAR PRICES AND MARGINS AT MONTREAL, 1933-1936

WELSH, SCOTCH AND AMERICAN BUCKWHEAT No. 1

(Costs and Prices on Cash Basis)

Month and Year	Welsh Buckwheat No. 1				Scotch Buckwheat No. 1				American Anthracite Buckwheat No. 1				
	Wholesale Price ex Dock	Circular Retail Price	Dealer's Margin	Wholesale Price ex Dock	Circular Retail Price	Dealer's Margin	Cash Price (c.o.b. Mines)	Duty	Excise Tax	Freight	Cost to Retailer	Circular Retail Price	Dealer's Margin
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	cts.	cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1933													
January.....	7 55	10 25	2 70	7 55	10 25	2 70	3 15	.50	.13	3 79	7 57	10 00	2 43
February.....	7 55	10 25	2 70	7 55	10 25	2 70	3 15	.50	.13	3 79	7 57	10 00	2 43
March.....	7 55	10 25	2 70	7 55	10 25	2 70	3 15	.50	.13	3 79	7 57	10 00	2 43
April.....	7 55	10 25	2 70	7 55	10 25	2 70	3 15	.50	.13	3 79	7 57	10 00	2 43
May.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.13	3 79	7 57	9 00	1 43
June.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.13	3 79	7 57	9 00	1 43
July.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
August.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
September.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
October.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
November.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
December.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
1934													
January.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
February.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
March.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
April.....	7 55	9 00	1 45	7 55	9 00	1 45	3 15	.50	.12	3 79	7 56	9 00	1 44
May.....	8 30	10 25	1 95	8 30	10 25	1 95	3 15	.50	.11	3 73	7 49	9 50	2 01
June.....	8 30	10 25	1 95	8 30	10 25	1 95	3 15	.50	.11	3 73	7 49	9 50	2 01
July.....	8 30	10 25	1 95	8 30	10 25	1 95	3 15	.50	.11	3 73	7 49	9 50	2 01
August.....	8 30	10 25	1 95	8 30	10 25	1 95	3 15	.50	.11	3 73	7 49	9 50	2 01
September.....	8 30	10 25	1 95	8 30	10 25	1 95	3 15	.50	.12	3 73	7 50	9 50	2 00
October.....	8 30	10 25	1 95	8 30	10 25	1 95	3 15	.50	.12	3 73	7 50	9 50	2 00
November.....	8 30	10 25	1 95	8 30	10 25	1 95	3 15	.50	.12	3 73	7 50	9 50	2 00
December.....	8 30	10 25	1 95	8 30	10 25	1 95	3 15	.50	.12	3 73	7 50	9 50	2 00

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1935	January.....	8 30	1 95	8 30	10 25	1 05	3 15	.50	.12	3 57	7 34	9 50	2 16
	February.....	8 30	1 95	8 30	10 25	1 95	3 15	.50	.12	3 57	7 34	9 50	2 16
	March.....	8 30	1 95	8 30	10 25	1 95	3 15	.50	.12	3 57	7 34	9 50	2 16
	April.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	May.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	June.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	July.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	August.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	September.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	October.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	November.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	December.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
1936	January.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	February.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	March.....	8 40	1 85	8 40	10 25	1 85	3 15	.50	.11	3 72	7 48	9 25	1 77
	April.....	8 65	1 60	8 65	10 25	1 60	3 15	.50	.11	3 72	7 48	9 25	1 77
	May.....	*8 05	2 45	*8 05	10 50	2 45	3 15	.50	.11	3 72	7 48	9 75	2 27
	June.....	*8 05	1 45	*8 05	10 50	2 45	3 15	.50	.11	3 72	7 48	9 75	2 27

* Circular prices \$8.65 reduced June 22nd to \$8.05 retroactive to May 1st.

NOTE.—Price data furnished by: Welsh—Wholesale Prices, Canadian Import Company Limited; Retail Prices, Hartt and Adair Coal Company, Limited; Scotch—Scotch Anthracite Coal Company, Limited; American—Hartt and Adair Coal Company, Limited.

ROYAL COMMISSION

RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES AND MARGINS AT QUEBEC, 1933-1936
WELSH COBBLES, AMERICAN STOVE SIZE AND WELSH BUCKWHEAT

Costs and Prices on Cash Basis

Month and Year	Welsh Cobbles			American Anthracite—Stove Size							Welsh Buckwheat			
	Wholesale Price ex Dock	Circular Retail Price	Dealers' Margin	Price f.o.b. Mines	Duty	Excise Tax	Freight via Atlantic Seaboard	Cost Alongside Dock	Wholesale Price ex Dock	Circular Retail Price	Dealers' Margin	Wholesale Price ex Dock	Circular Retail Price	Dealers' Margin
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	cents	cents	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1933 January...	12 25	14 50	2 25	7 05	50	26	2 91	10 72	12 25	14 00	1 75	7 25	9 00	1 75
February...	12 25	14 50	2 25	7 05	50	26	2 91	10 72	12 25	14 00	1 75	7 25	9 00	1 75
March...	12 25	14 50	2 25	6 05	50	24	2 91	9 70	12 25	14 00	1 75	8 00	9 50	1 50
April...	12 25	14 50	2 25	6 05	50	24	2 91	9 70	12 25	14 00	1 75	8 00	9 50	1 50
May...	12 25	14 50	2 25	6 05	50	24	2 91	9 70	11 50	13 50	2 00	8 00	9 50	1 50
June...	12 25	14 50	2 25	6 05	50	24	2 91	9 70	11 50	13 50	2 00	8 00	9 50	1 50
July...	12 25	14 50	2 25	6 30	50	24	2 91	9 95	11 50	13 50	2 00	8 00	9 50	1 50
August...	12 25	14 50	2 25	6 55	50	23	2 91	10 19	11 50	13 50	2 00	8 00	9 50	1 50
September...	12 25	14 50	2 25	7 05	50	25	2 91	10 71	12 00	13 50	1 50	8 00	9 50	1 50
October...	12 50	14 50	2 00	7 05	50	25	2 91	10 71	12 00	13 50	1 50	8 50	10 00	1 50
November...	12 50	14 50	2 00	7 05	50	25	2 91	10 71	12 00	13 50	1 50	8 50	10 00	1 50
December...	12 50	14 50	2 00	7 05	50	25	2 91	10 71	12 00	13 50	1 50	8 50	10 00	1 50
1934 January...	12 50	14 50	2 00	7 05	50	25	2 91	10 71	12 00	14 00	2 00	8 50	10 00	1 50
February...	12 50	14 50	2 00	7 05	50	25	2 91	10 71	12 00	14 00	2 00	8 50	10 00	1 50
March...	12 50	14 50	2 00	7 05	50	25	2 91	10 71	12 00	14 00	2 00	8 00	9 50	1 50
April...	12 25	14 50	2 25	6 05	50	20	2 91	9 66	12 00	14 50	2 25	8 00	9 50	1 50
May...	12 25	14 50	2 25	6 05	50	20	2 91	9 66	12 25	14 50	2 25	8 00	9 50	1 50
June...	12 25	14 50	2 25	6 30	50	21	2 91	9 92	12 25	14 50	2 25	8 50	10 00	1 50
July...	12 25	14 50	2 25	6 55	50	22	2 91	10 18	12 25	14 50	2 25	8 50	10 00	1 50
August...	12 50	14 50	2 00	6 80	50	23	2 91	10 44	12 50	14 50	2 00	8 50	10 00	1 50
September...	12 50	14 50	2 00	7 05	50	24	2 91	10 70	12 50	14 50	2 00	8 50	10 00	1 50
October...	12 50	14 50	2 00	7 05	50	24	2 91	10 70	12 50	14 50	2 00	8 50	10 00	1 50
November...	12 50	14 50	2 00	7 05	50	24	2 91	10 70	12 50	14 50	2 00	8 50	10 00	1 50
December...	12 50	14 50	2 00	7 05	50	24	2 91	10 70	12 50	14 50	2 00	8 50	10 00	1 50

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1935 January...	12 50	14 50	2 00	7 05	50	24	2 91	10 70	12 50	14 50	2 00	8 50	10 00	1 50
February...	12 50	14 50	2 00	7 05	50	24	2 91	10 70	12 50	14 50	2 00	8 50	10 00	1 50
March.....	12 50	14 50	2 00	5 80	50	20	2 91	9 41	12 50	14 50	2 00	8 50	10 00	1 50
April.....	12 50	14 50	2 50	5 55	50	19	3 06	9 30	12 50	14 50	2 00	8 50	10 00	1 50
May.....	11 50	13 50	2 00	5 55	50	19	3 06	9 30	11 50	13 50	2 00	8 00	9 50	1 50
June.....	11 50	13 50	2 00	5 80	50	20	3 06	9 58	11 50	13 50	2 00	8 00	9 50	1 50
July.....	11 50	13 50	2 00	6 05	50	21	3 06	9 82	11 50	13 50	2 00	8 00	9 50	1 50
August.....	11 50	13 50	2 00	6 30	50	21	3 06	10 07	11 50	13 50	2 00	8 00	9 50	1 50
September...	11 50	13 50	2 00	6 55	50	22	3 06	10 33	11 50	13 50	2 00	8 50	9 50	1 00
October.....	11 50	13 50	2 00	7 05	50	24	3 06	10 85	11 50	13 50	2 00	8 50	9 50	1 00
November...	11 50	13 50	2 00	7 05	50	24	3 06	10 85	11 50	13 50	2 00	8 50	9 50	1 00
December...	11 50	13 50	2 00	7 05	50	24	3 06	10 85	11 50	13 50	2 00	8 50	9 50	1 00
1936 January...	11 50	13 50	2 00	7 05	50	24	3 06	10 85	11 50	13 50	2 00	8 50	9 30	1 00
February...	11 50	13 50	2 00	7 05	50	24	3 06	10 85	11 50	13 50	2 00	8 50	9 50	1 00
March.....	11 50	13 50	2 00	7 05	50	24	3 06	10 85	11 50	13 50	2 00	8 50	9 50	1 00
April.....	11 50	13 50	2 00	6 05	50	21	3 06	9 82	11 50	13 50	2 00	8 50	9 50	1 00
May.....	11 50	13 00	1 50	6 05	50	21	3 06	9 82	11 50	13 50	2 00	8 25	9 30	1 05
June.....	11 00	13 00	2 00	6 15	50	21	3 06	9 92	11 50	13 50	2 00	8 25	9 30	1 05

Compiled from data furnished by the Canadian Import Company, Limited, Quebec, except prices f.o.b. Mines American Anthracite supplied by Hartt and Adair Coal Company, Limited, Montreal.

ROYAL COMMISSION

RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES AND MARGINS AT TORONTO, 1933-1936

WELSH COBBLES AND AMERICAN STOVE

(Costs and Prices on Cash Basis)

Month and Year	Welsh Cobbles			American Anthracite—Stove Size						
	Wholesale Price ex Dock	Circular Retail Price	Dealers' Margins	Price f.o.b. Mines	Duty	Excise Tax	Freight	Cost to Dealer	Circular Retail Price	Dealers' Margin
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	cts.	cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1933 January.....	13 50	15 00	1 50	7 05	50	26	3 84	11 65	14 50	2 85
February.....	12 75	15 00	2 25	7 05	50	26	3 84	11 65	14 50	2 85
March.....	12 25	15 00	2 75	6 05	50	23	3 84	10 62	14 50	3 88
April.....	12 35	15 00	2 65	6 05	50	23	3 84	10 62	14 50	3 88
May.....	12 35	15 00	2 65	6 05	50	23	3 84	10 62	14 50	3 88
June.....	12 85	14 25	1 90	6 05	50	25	3 42	10 22	13 25	3 03
July.....	11 75	14 25	2 50	6 30	50	26	3 42	10 48	13 25	2 77
August.....	11 75	14 75	3 00	6 55	50	27	3 42	10 74	13 75	3 01
September.....	11 75	14 75	3 00	7 05	50	28	3 42	11 25	14 25	3 00
October.....	11 75	14 75	3 00	7 05	50	22	3 42	11 19	14 25	3 06
November.....	12 25	14 75	2 50	7 05	50	22	3 42	11 19	14 25	3 06
December.....	12 25	14 75	2 50	7 05	50	22	3 42	11 19	14 25	3 06
1934 January.....	13 00	14 75	1 75	7 05	50	22	3 42	11 19	14 25	3 06
February.....	13 00	14 75	1 75	7 05	50	22	3 42	11 19	14 25	3 06
March.....	12 75	14 75	2 00	7 05	50	22	3 42	11 19	14 25	3 06
April.....	12 75	14 75	2 00	6 05	50	20	3 42	10 17	14 25	4 08
May.....	13 00	15 00	2 00	6 05	50	20	3 42	10 17	14 00	3 83
June.....	13 00	15 00	2 00	6 30	50	20	3 42	10 42	14 00	3 53
July.....	13 00	15 00	2 00	6 30	50	26	3 42	10 68	14 00	3 32
August.....	12 50	15 00	2 50	6 80	50	21	3 42	10 93	14 00	4 07
September.....	12 50	15 00	2 50	7 05	50	22	3 42	11 19	14 50	3 31
October.....	12 50	15 00	2 50	7 05	50	22	3 42	11 19	14 50	3 31
November.....	12 50	15 00	2 50	7 05	50	22	3 42	11 19	14 50	3 31
December.....	12 50	15 00	2 50	7 05	50	22	3 42	11 19	14 50	3 31
1935 January.....	12 50	15 00	2 50	7 05	50	22	3 42	11 19	14 50	3 31
February.....	12 50	15 00	2 50	7 05	50	22	3 42	11 19	14 50	3 31
March.....	12 50	15 00	2 50	5 80	50	18	3 42	9 90	14 50	4 60
April.....	12 00	14 00	2 00	5 55	50	18	3 57	9 80	12 75	2 95
May.....	12 00	14 00	2 00	5 55	50	18	3 57	9 80	12 75	2 95
June.....	12 00	14 00	2 00	5 80	50	19	3 57	10 06	12 75	2 69
July.....	12 25	14 50	2 25	6 05	50	20	3 57	10 32	13 25	2 93
August.....	12 25	14 50	2 25	6 30	50	21	3 57	10 58	13 25	2 67
September.....	12 25	14 50	2 25	6 55	50	22	3 57	10 84	14 00	3 16
October.....	12 50	14 75	2 25	7 05	50	23	3 57	11 35	14 50	3 15
November.....	12 50	14 75	2 25	7 05	50	23	3 57	11 35	14 50	3 15
December.....	12 50	14 75	2 25	7 05	50	23	3 57	11 35	14 50	3 15
1936 January.....	12 50	14 75	2 25	7 05	50	23	3 57	11 35	14 50	3 15
February.....	12 50	14 75	2 25	7 05	50	23	3 57	11 35	14 50	3 15
March.....	12 50	14 75	2 25	7 05	50	23	3 57	11 35	14 50	3 15
April.....	12 50	14 75	2 25	6 05	50	20	3 57	10 32	14 50	4 18
May.....	12 50	14 50	2 00	6 05	50	20	3 57	10 32	13 50	3 18
June.....	12 50	14 50	2 00	6 15	50	20	3 57	10 42	13 50	3 08

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RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES AND MARGINS AT TORONTO, 1933-1936

WELSH "BLOWER" AND AMERICAN BUCKWHEAT No. 1

(Costs and Prices on Cash Basis)

Month and Year	Welsh Blower			American Buckwheat No. 1						
	Whole-sale Price ex Dock	Circular Retail Price	Deal-ers' Mar-gins	Price f.o.b. Mines	Duty	Excise Tax	Freight	Cost to Dealer	Circular Retail Price	Deal-ers' Mar-gin
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	cts.	cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1933 January.....	8 50	10 50	2 00	3 15	50	13	3 59	7 37	10 00	2 63
February.....	8 00	10 50	2 50	3 15	50	13	3 59	7 37	10 00	2 63
March.....	8 00	10 50	2 50	3 15	50	13	3 59	7 37	10 00	2 63
April.....	8 00	10 50	2 50	3 15	50	13	3 59	7 37	10 00	2 63
May.....	8 00	10 50	2 50	3 15	50	13	3 59	7 37	10 00	2 63
June.....	8 00	10 00	2 00	3 15	50	13	3 42	7 20	10 00	2 80
July.....	8 00	10 00	2 00	3 15	50	13	3 42	7 20	10 00	2 80
August.....	8 00	10 50	2 50	3 15	50	13	3 42	7 20	10 00	2 80
September.....	8 00	10 50	2 50	3 15	50	12	3 42	7 19	10 00	2 81
October.....	8 00	10 50	2 50	3 15	50	12	3 42	7 19	10 00	2 81
November.....	8 25	10 50	2 25	3 15	50	12	3 42	7 19	10 00	2 81
December.....	8 25	10 50	2 25	3 15	50	12	3 42	7 19	10 00	2 81
1934 January.....	9 00	10 50	1 50	3 15	50	11	3 42	7 18	10 00	2 82
February.....	9 00	10 50	1 50	3 15	50	11	3 42	7 18	10 00	2 82
March.....	8 75	10 50	1 75	3 15	50	11	3 42	7 18	10 00	2 82
April.....	8 75	10 50	1 75	3 15	50	11	3 42	7 18	10 00	2 82
May.....	9 00	11 00	2 00	3 15	50	11	3 42	7 18	10 00	2 82
June.....	9 00	11 00	2 00	3 15	50	11	3 42	7 18	10 00	2 82
July.....	9 00	11 00	2 00	3 15	50	11	3 42	7 18	10 00	2 82
August.....	9 50	11 00	1 50	3 15	50	11	3 42	7 18	10 00	2 82
September.....	9 50	11 00	1 50	3 15	50	11	3 42	7 18	10 00	2 82
October.....	9 50	11 00	1 50	3 15	50	11	3 42	7 18	10 00	2 82
November.....	9 50	11 00	1 50	3 15	50	11	3 42	7 18	10 00	2 82
December.....	9 50	11 00	1 50	3 15	50	11	3 42	7 18	10 00	2 82
1935 January.....	9 50	11 00	1 50	3 15	50	11	3 42	7 18	10 00	2 82
February.....	9 50	11 00	1 50	3 15	50	11	3 42	7 18	10 00	2 82
March.....	9 50	11 00	1 50	3 15	50	11	3 42	7 18	10 00	2 82
April.....	9 00	10 75	1 75	3 15	50	11	3 57	7 33	10 00	2 67
May.....	9 00	10 75	1 75	3 15	50	11	3 57	7 33	10 00	2 67
June.....	9 00	10 75	1 75	3 15	50	11	3 57	7 33	10 00	2 67
July.....	9 00	10 75	1 75	3 15	50	11	3 57	7 33	10 00	2 67
August.....	9 00	10 75	1 75	3 15	50	11	3 57	7 33	10 00	2 67
September.....	9 00	10 75	1 75	3 15	50	11	3 57	7 33	10 00	2 67
October.....	9 00	11 00	2 00	3 15	50	11	3 57	7 33	10 00	2 67
November.....	9 50	11 00	1 50	3 15	50	11	3 57	7 33	10 00	2 67
December.....	9 50	11 00	1 50	3 15	50	11	3 57	7 33	10 00	2 67
1936 January.....	9 00	11 00	2 00	3 15	50	11	3 57	7 33	10 00	2 67
February.....	9 00	11 00	2 00	3 15	50	11	3 57	7 33	10 00	2 67
March.....	9 00	11 00	2 00	3 15	50	11	3 57	7 33	10 00	2 67
April.....	9 00	11 00	2 00	3 15	50	11	3 57	7 33	10 00	2 67
May.....	9 00	11 00	2 00	3 15	50	11	3 57	7 33	10 00	2 67
June.....	9 25	11 00	1 75	3 15	50	11	3 57	7 33	10 00	2 67

RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES AND MARGINS AT OTTAWA, 1933-1936
WELSH AND SCOTCH COBBLES AND AMERICAN STOVE
Costs and Prices on Cash Basis

Month and Year	Welsh Cobbles			Scotch Cobbles			American Anthracite—Stove Size									
	Whole- sale Price f.o.b. Montreal	Freight	Circular Retail Price	Dealer's Margin	Whole- sale Price f.o.b. Montreal	Freight	Circular Retail Price	Dealer's Margin	Price f.o.b. Mines	Duty	Excise Tax	Freight	Cost to Dealer	Circular Retail Price	Dealer's Margin	
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	cts.	cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
1933																
January.....	11 60	1 50	13 10	3 65	11 60	1 50	13 10	3 65	7 05	50	27	4 73	12 55	15 75	3 29	
February.....	11 60	1 50	13 10	3 65	11 60	1 50	13 10	3 65	7 05	50	27	4 73	12 55	15 75	3 29	
March.....	11 60	1 50	13 10	3 65	11 60	1 50	13 10	3 65	6 05	50	23	4 73	11 51	15 75	4 24	
April.....	11 60	1 50	13 10	3 65	11 60	1 50	13 10	3 65	6 05	50	23	4 73	11 51	15 75	4 24	
May.....	11 60	1 50	12 90	3 75	11 00	1 50	12 50	3 75	6 05	50	23	4 73	11 51	15 00	3 49	
June.....	11 00	1 50	12 50	3 75	11 00	1 50	12 50	3 75	6 05	50	23	4 73	11 51	15 00	3 49	
July.....	11 00	1 50	12 50	3 60	11 00	1 50	12 50	3 60	6 30	50	23	4 73	11 76	15 00	3 24	
August.....	11 75	1 50	12 25	3 60	11 25	1 50	12 75	3 60	6 35	50	23	4 73	12 01	15 00	3 24	
September.....	11 75	1 50	12 25	3 00	11 25	1 50	13 25	3 00	7 05	50	24	4 73	12 52	15 00	2 54	
October.....	11 75	1 50	13 25	3 00	11 75	1 50	13 25	3 00	7 05	50	24	4 67	12 46	15 75	3 29	
November.....	11 75	1 50	13 25	3 50	11 75	1 50	13 25	3 50	7 05	50	24	4 67	12 46	15 75	3 29	
December.....	11 75	1 50	13 25	3 50	11 75	1 50	13 25	3 50	7 05	50	24	4 67	12 46	15 75	3 29	
1934																
January.....	15 75	1 50	13 25	3 50	11 75	1 50	13 25	3 50	7 05	50	24	4 67	12 46	15 75	3 29	
February.....	11 75	1 50	13 25	3 50	11 75	1 50	13 25	3 50	7 05	50	24	4 67	12 46	15 75	3 29	
March.....	11 75	1 50	13 25	3 50	11 75	1 50	13 25	3 50	6 05	50	20	4 67	11 42	15 75	4 33	
April.....	11 25	1 50	12 75	3 50	11 25	1 50	12 75	3 50	6 05	50	20	4 67	11 42	15 75	4 33	
May.....	11 50	1 50	12 75	3 50	11 50	1 50	13 00	3 50	6 05	50	20	4 67	11 42	15 00	3 32	
June.....	12 00	1 50	13 50	3 50	12 00	1 50	13 50	3 50	6 30	50	21	4 67	11 94	15 00	3 06	
July.....	12 00	1 50	13 50	3 00	12 00	1 50	13 50	3 00	6 80	50	22	4 67	12 19	15 00	2 81	
August.....	12 00	1 50	16 25	3 25	12 00	1 50	16 25	3 25	7 05	50	23	4 67	12 45	15 75	3 30	
September.....	12 00	1 50	13 50	3 25	12 00	1 50	13 50	3 25	7 05	50	23	4 67	12 45	15 75	3 30	
October.....	12 00	1 50	13 50	3 30	12 00	1 50	13 50	3 30	7 05	50	23	4 67	12 45	15 75	3 30	
November.....	12 00	1 50	13 50	3 30	12 00	1 50	13 50	3 30	7 05	50	23	4 67	12 45	15 75	3 30	
December.....	12 00	1 50	13 50	3 50	12 00	1 50	13 50	3 50	7 05	50	23	4 67	12 45	15 75	3 30	
1935																
January.....	12 00	1 50	13 50	3 50	12 00	1 50	13 50	3 50	7 05	50	23	4 67	12 45	15 75	3 30	
February.....	12 00	1 50	17 00	3 50	12 00	1 50	17 00	3 50	7 05	50	23	4 67	12 45	15 75	3 30	
March.....	12 00	1 50	17 00	3 50	12 00	1 50	17 00	3 50	7 05	50	23	4 67	12 45	15 75	3 30	
April.....	10 25	1 50	11 75	3 50	10 25	1 50	13 25	3 50	5 35	50	19	4 82	11 06	15 75	5 09	
May.....	10 25	1 50	11 75	3 50	10 25	1 50	13 25	3 50	5 35	50	19	4 82	11 06	14 50	3 44	
June.....	10 25	1 50	11 75	3 25	10 25	1 50	13 25	3 25	5 35	50	20	4 82	11 31	14 50	3 19	
July.....	10 25	1 50	11 75	3 25	10 25	1 50	13 25	3 25	5 35	50	20	4 82	11 31	14 50	2 93	
August.....	10 75	1 50	12 25	3 25	10 75	1 50	13 25	3 25	6 30	50	20	4 82	11 57	14 50	2 67	
September.....	11 00	1 50	12 50	3 75	11 00	1 50	13 50	3 75	6 30	50	20	4 82	12 08	15 50	2 90	
October.....	11 00	1 50	12 50	3 75	11 00	1 50	13 50	3 75	7 05	50	23	4 82	12 60	15 50	2 90	
November.....	11 00	1 50	12 50	3 75	11 00	1 50	13 50	3 75	7 05	50	23	4 82	12 60	15 50	2 90	
December.....	11 00	1 50	12 50	3 75	11 00	1 50	13 50	3 75	7 05	50	23	4 82	12 60	15 50	2 90	
1936																
January.....	11 00	1 50	12 50	3 75	11 00	1 50	13 50	3 75	7 05	50	23	4 82	12 60	15 50	2 90	
February.....	11 00	1 50	12 50	3 75	11 00	1 50	13 50	3 75	7 05	50	23	4 82	12 60	15 50	2 90	
March.....	11 00	1 50	12 50	3 75	11 00	1 50	13 50	3 75	7 05	50	23	4 82	12 60	15 50	2 90	
April.....	11 00	1 50	12 50	3 75	11 00	1 50	13 50	3 75	6 05	50	20	4 82	11 57	15 50	3 03	
May.....	10 25	1 50	11 75	3 50	10 25	1 50	11 75	3 50	6 05	50	20	4 82	11 57	15 50	3 43	
June.....	10 25	1 50	11 75	3 50	10 25	1 50	11 75	3 50	6 15	50	21	4 82	11 67	15 00	3 53	

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RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES AT MARGINS AT OTTAWA, 1933-1936
WELSH, SCOTCH AND AMERICAN BUCKWHEAT No. 1

Costs and Prices on Cash Basis

Month and Year	Welsh Buckwheat No. 1				Scotch Buckwheat No. 1				American Buckwheat No. 1									
	Whole-sale Price f.o.b. Montreal \$ cts.	Freight \$ cts.	Cost to Dealer \$ cts.	Circular Retail Price \$ cts.	Dealer's Margin \$ cts.	Whole-sale Price Montreal \$ cts.	Freight \$ cts.	Cost to Dealer \$ cts.	Circular Retail Price \$ cts.	Dealer's Margin \$ cts.	Price f.o.b. Mines \$ cts.	Duty cts.	Excise Tax cts.	Freight \$ cts.	Cost to Dealer \$ cts.	Circular Retail Price \$ cts.	Dealer's Margin \$ cts.	
1933																		
January	7 65	1 30	8 95	12 25	3 30	7 65	1 30	8 95	12 25	3 30	3 15	50	13	3 97	7 75	10 75	3 00	
February	7 65	1 30	8 95	12 25	3 30	7 65	1 30	8 95	12 25	3 30	3 15	50	13	3 97	7 75	10 75	3 00	
March	7 65	1 30	8 95	12 25	3 30	7 65	1 30	8 95	12 25	3 30	3 15	50	13	3 97	7 75	10 75	3 00	
April	7 65	1 30	8 95	12 25	3 30	7 65	1 30	8 95	12 25	3 30	3 15	50	13	3 97	7 75	10 75	3 00	
May	7 65	1 30	8 95	12 25	3 30	7 65	1 30	8 95	12 25	3 30	3 15	50	13	3 97	7 75	10 75	3 00	
June	7 65	1 30	8 95	12 25	3 30	7 65	1 30	8 95	12 25	3 30	3 15	50	13	3 97	7 75	10 75	3 00	
July	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	13	3 97	7 75	10 75	2 75	
August	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	13	3 97	7 75	10 75	2 75	
September	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	12	3 97	7 74	10 75	2 76	
October	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	12	3 91	7 68	10 75	2 82	
November	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	12	3 91	7 68	10 75	2 82	
December	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	12	3 91	7 68	10 75	2 82	
1934																		
January	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	11	3 91	7 67	10 90	2 83	
February	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	11	3 91	7 67	10 90	2 83	
March	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	11	3 91	7 67	10 90	2 83	
April	7 65	1 30	8 95	11 75	2 80	7 65	1 30	8 95	11 75	2 80	3 15	50	11	3 91	7 67	10 90	2 83	
May	8 40	1 30	9 70	13 00	3 30	8 40	1 30	9 70	13 00	3 30	3 15	50	11	3 91	7 67	11 00	2 83	
June	8 40	1 30	9 70	13 00	3 30	8 40	1 30	9 70	13 00	3 30	3 15	50	11	3 91	7 67	11 00	2 83	
July	8 40	1 10	9 50	13 00	3 50	8 40	1 10	9 50	13 00	3 50	3 15	50	11	3 91	7 67	11 00	3 33	
August	8 40	1 10	9 50	13 00	3 50	8 40	1 10	9 50	13 00	3 50	3 15	50	11	3 91	7 67	11 00	3 33	
September	8 40	1 10	9 50	13 00	3 50	8 40	1 10	9 50	13 00	3 50	3 15	50	11	3 91	7 67	11 00	3 33	
October	8 40	1 10	9 50	13 00	3 50	8 40	1 10	9 50	13 00	3 50	3 15	50	11	3 91	7 67	11 00	3 33	
November	8 40	1 10	9 50	13 00	3 50	8 40	1 10	9 50	13 00	3 50	3 15	50	11	3 91	7 67	11 00	3 33	
December	8 40	1 10	9 50	13 00	3 50	8 40	1 10	9 50	13 00	3 50	3 15	50	11	3 91	7 67	11 00	3 33	
1935																		
January	8 40	1 10	9 50	13 00	3 50	8 40	1 10	9 50	13 00	3 50	3 15	50	11	3 91	7 67	11 00	3 33	
February	8 40	1 10	9 50	13 00	3 50	8 40	1 10	9 50	13 00	3 50	3 15	50	11	3 91	7 67	11 00	3 33	
March	8 40	1 10	9 50	13 00	3 50	8 40	1 10	9 50	13 00	3 50	3 15	50	11	3 91	7 67	11 00	3 33	
April	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
May	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
June	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
July	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
August	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
September	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
October	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
November	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
December	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
1936																		
January	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
February	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
March	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
April	8 40	1 10	9 50	12 75	3 25	8 40	1 10	9 50	12 75	3 25	3 15	50	11	3 91	7 67	11 00	3 33	
May	8 05	1 10	9 15	12 50	3 35	8 05	1 10	9 15	12 50	3 35	3 15	50	11	3 91	7 67	11 00	3 33	
June	8 05	1 10	9 15	12 50	3 35	8 05	1 10	9 15	12 50	3 35	3 15	50	11	3 91	7 67	11 00	3 33	

Compiled from data furnished by John Healey and Son, Limited, Ottawa.

General Comments on Retailers' Position:

It would appear from the evidence submitted to your Commission, that selling at prices below the list price is a common practice for cash sales. Your Commission had no way of determining the extent of such price variation without going exhaustively into the retail trade in a number of the more important centres of the country. But, in any case, price competition, unless accompanied by fraud, can be presumed to operate in the interest of the consumer.

Two methods of cutting prices were bitterly complained of in both Montreal and Toronto. One was group selling. By group selling is meant that a dealer contracts to supply coal to a large company at a certain price agrees at the same time to supply all its employees with coal for their domestic use at a special price. In many cases the company takes the responsibility for payment for the coal supplied its employees, and thus relieves the dealer of much book-keeping and the risk of bad debts. This latter fact was given as a justification for the special prices. The argument presented by certain dealers against the practice was that the price was originally fixed on a fairly narrow margin so that any advantage given to one set of consumers had to be offset by an increased price to another set, with the result that one portion of the community was being made to pay for the benefit of the other.

That group selling is of long standing in the coal trade is illustrated by the following extract from a letter which was found in a desk in Osgoode Hall, Toronto, during the sessions of your Commission. The letter is dated Toronto, September 16, 1890, and is signed by an official of one of the Provincial Departments:

"Our contract prices for fuel this year are \$5.25 per ton for coal of any kind or size; \$4.90 per cord for hardwood; \$2.75 for pine wood; and \$1 per hundred bundles of kindling wood. The contractor—'ll supply Departmental officers and employees at these prices, for payment on delivery. Have the goodness to make this known to your staff."

Group buying of the kind described above and also through "consumers' clubs" is a common practice in many lines of trade. Not infrequently it has proved to be a first step toward a sound consumers' co-operative movement, and as such should certainly not be impeded by adverse legislation.

Another common grievance among retailers is the existence of persons known in the trade as "snow birds," that is, persons who are not regularly or continuously in the coal business, with permanent offices, yards and equipment, but who appear each winter, canvassing for orders from door to door, and delivering the coal with a truck which they happen to own or rent. The prices charged by such persons are usually considerably below the ordinary retail price.

In earlier years when cities depended entirely on American coal, the dealers' yards with their sidings, trestles and silos, were a necessary part of the distributing organization. But in Quebec and Montreal, and to a lesser degree in most other cities served by water transportation, this old organization of the trade is disappearing. In Montreal the great bulk of the coal arrives by water and is stored in great piles on the water front. The dealer now requires little more than an office and a selling and delivery organization. Orders are taken for one ton or twenty tons, the dealer's truck goes down to the dock, loads the coal and delivers it, direct to the customer.

In the period of transition from the old to the new system dealers, with their considerable capital investment, have struggled bitterly to retain the old organization and their old price margins. They have tried collective agreements on prices, and they have invoked municipal authority to retain the old structural framework of the trade. In Quebec and Montreal the old system

has broken down; it has lost the struggle, though, of course, parts of the old organization still function. In Toronto the issue is now being clearly joined.

The Montreal system of distribution through dealers directly from the docks is clearly the more efficient way of distributing overseas coal in cities served by water transportation. In Toronto, the greater importance of American coal arriving by rail makes the situation a little more complex. But there seems to be no good reason why there should be discrimination against overseas coal by compelling a dealer to deliver it through his own yard. While legislative intervention can delay and obstruct technological change, its usual result is only to prolong and increase the difficulties of the transitional period and yet serve no useful end for the consumer.

A further broad justification for the existence of the "snow bird" lies in the great seasonal variation in employment, especially in ports where navigation ceases during the winter months. Many truckers and carters are employed during the season of navigation in and around the docks. It appears unnecessarily wasteful to forbid these men and this equipment to engage in the distribution of coal during the season of closed navigation, especially since this season coincides with the peak load in the coal trade.

It must be recognized, however, that the increase in the number of persons who venture temporarily or seasonally into the coal business creates possibilities of grave abuses. These men and their trucks often carry no marks of identification, and thus cannot easily be held responsible for such frauds as short-weighting, substitution, mixing, incorrect description of grades, etc. The remedy appears to lie in the strict enforcement of adequate regulations for the protection of consumers. These should include enforced public weighing, rigid inspection and checking of delivery slips, proper identification of trucks and men, and an appropriate, but not prohibitive licence fee. Any municipality has the power and ought to have the competence to enact and enforce such regulations.

It has been urged that the collapse of the old system of coal distribution has strengthened the economic position of the importers as a class. But the increase in the average size and strength of importers is, up to a certain point, an inevitable consequence of the shift in demand to overseas coal. Their strength, moreover, cannot be curbed by compelling retail distributors to acquire and maintain economically unnecessary capital equipment. The protection of the public against the increased size and strength of the average importer lies in the prevention of combination between groups of importers.

Retail dealers have further complained that they are under a great disadvantage in competing with the importers and wholesale dealers who also do a retail business. The importer who also does a retail trade is obviously in a position of advantage from a purchasing point of view. From a sales point of view doubtless he would also be in an advantageous position in dealing with large orders such as apartment houses and industrial organizations, while the ordinary retailer is generally in a better position to secure the business of the mass of individual consumers. This is part of the larger problem of the changes in methods of distribution, and regulation would be difficult even if regulation were deemed expedient.

Another common practice with regard to prices in Montreal which applies to both wholesale and retail prices, is to publish opening prices in the spring at a lower rate, with a notice of a definite rise toward the end of the season. In retail prices the maximum as between the spring and the autumn is about \$1. The reason given for this practice is that the lower price in the summer is fixed in order to encourage customers to fill their cellars, leaving the dock space available for the storage of winter supplies. The higher price in the autumn and winter is to offset the extra cost of handling the coal at that time of year, and to pay for the extra storage. The reason given seems to be an adequate one for the practice.

Certain types of advertising used in the coal trade seem to your Commission to be reprehensible, that is, the use of special names, in order to avoid an exact statement as to quality, and which at times are definitely misleading to the consumer. The following will serve as illustrations: dry steam coal is sold as "Welsh Blower"; Dufferyn-Aberdare, a dry steam coal, sold as "Hi-Heat"; a mixture of Welsh and German anthracites sold as "Weaver Anthracite" or as "British Coal Corporation Genuine Anthracite" in order to avoid stating that German coal was mixed with Welsh; a mixture of dry steam and anthracite sold as "anthracite." Your Commission found that a great deal of mixed German and Welsh anthracite was sold both in Montreal and in Toronto during the winter of 1935-36 as "genuine Welsh anthracite."

Your Commission was informed that this kind of advertising was being watched by the Better Business Bureaux in the Cities of Montreal and Toronto. In one test case, however, where the consumer had ordered and paid for Welsh anthracite and had received bituminous coal, a prosecution launched by the Better Business Bureau failed because the delivery slip merely read "Welsh."

The following table compares the retailer's gross margins on various types of coal in Montreal, Toronto, Ottawa and Quebec for the winter seasons 1931-32 to 1936-37. (Figures for the years back to 1928 will be found in the 1933 Report, page 50).

City	Anthracite	Size	1931-	1932-	1933-	1934-	1935-	Nov.	
			1932	1933	1934	1935	1936	1936	
			\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
Montreal	Welsh	Cobbles	3 80	2 75	2 50	3 00	2 75	3 00	
	Scotch	Cobbles	3 80	2 75	2 50	3 00	2 75	3 00	
	American	Stove	3 52	2 74	2 52	3 64	2 24	2 50	
	Welsh	Buckwheat No. 1	2 60	2 70	1 45	1 95	1 85	1 45	
	American	" No. 1	2 40	2 43	1 59	2 16	1 77	1 60	
	Toronto	Welsh	Cobbles	2 55	2 95	2 00	2 50	2 25	2 00
American		Stove	3 09	2 54	3 06	3 31	3 15	2 91	
Welsh		"Blower"	2 20	2 80	2 00	1 50	1 80	1 75	
American		Buckwheat No. 1	2 81	2 54	2 82	2 82	2 67	2 67	
Ottawa		Welsh	Cobbles	3 85	3 65	3 50	3 50	3 75	3 50
		Scotch	Cobbles	3 85	3 65	3 50	3 50	3 75	3 50
	American	Stove	3 50	3 52	3 29	3 30	2 90	2 96	
	Welsh	Buckwheat No. 1	3 50	3 30	2 80	3 50	3 25	3 35	
	Scotch	" No. 1	3 30	3 30	2 80	3 50	3 25	3 35	
	American	" No. 1	3 24	2 99	2 82	3 33	3 33	3 33	
Quebec	Welsh	Cobbles	2 25	2 25	2 00	2 00	2 00	2 00	
	American	Stove	2 00	2 25	1 75	2 00	2 00	2 00	
	Welsh	Buckwheat	2 25	1 75	1 50	1 50	1 00	1 05	

The figures suggest the following comments: (a) The general trend of retailers' margins, except in the City of Ottawa, is unmistakably downward, the average decline from 1931 to 1936 being about 80 cents.

(b) The comparative spreads between Welsh and American are important, because the dealer has a considerable influence over the choice that the consumer makes, and he will naturally tend to push the sale of the coal which gives him the better margin. In Montreal, Welsh and Scotch cobbles give the dealer 50 cents greater margin than does American, and the costs of handling American are probably only a very little less than the costs of handling Welsh. It is natural that the Montreal dealer should lose interest in pushing American sales. The contrary situation exists in Toronto. There the dealer has nearly a dollar

extra margin on American. Sentiment in the retail trade is very hostile, not to Welsh anthracite, but to the way in which it feels the importer-retailer group have kept wholesale prices up and the retailer's margin down.

(c) The retailer's spread in Ottawa cannot escape comment. The margin on every grade, except American stove, is from 50 cents to \$2 greater than in any of the other three cities. The absence of waterfront piles from which to draw coal, and a certain amount of additional degradation might justify a small additional spread, but certainly not the extra spread of \$1.60-\$1.90 on Welsh buckwheat, for example.

(d) The retailer's margin in Quebec deserves comment for the opposite reason. It has already been remarked that the absence of competition in Quebec has produced a consistently higher wholesale price in that City. The present table shows that in the presence of the dominant importing-retailing position of the Canadian Import Company, the retailer's margin has been reduced to very narrow limits. Nearly half the domestic fuel sold in Quebec is blower sizes of anthracite, on which the dealer has for the past eighteen months received a gross margin of \$1 a ton. On this basis the Quebec retailer can be little more than a cartage agent for the Canadian Import Company.

(e) What the retailer's margin ought to be is not the function of your Commission, or of the government to decide. Several Toronto dealers stated that an average gross margin of \$2.50 would be satisfactory. If that is a fair estimate, then the Ottawa margins are unnecessarily high. In Montreal and Quebec where a less expensive system of distribution is in operation, a lower margin than \$2.50 would be indicated.

(3) Quality:

Evidence as to the quality of the anthracite being sold to the Canadian consumer was collected from three sources:

- (a) Source of coal by mines;
- (b) Study of analyses filed by importers and dealers;
- (c) Oral evidence.

(a) Source of Coal by Mines:

In a previous section we referred to the fact that of the four grades of Welsh anthracite—primes, bests, seconds and thirds—only seconds and thirds are imported into Canada. From information available, it is estimated that approximately 68 per cent of the anthracite produced by the Amalgamated Collieries is primes and bests; approximately 28 per cent is seconds and thirds, and approximately 4 per cent is Red Vein. It is from this 28 per cent that all cobbles coming into Canada are drawn. The small sizes are a mixture of the screenings from primes and bests and the screenings from seconds and thirds, as there is no difference in value in the screenings from the different grades.

The same information indicates that approximately 37 per cent of the anthracite produced by independent collieries is primes and bests, and 47 per cent seconds and thirds and approximately 16 per cent Red Vein. It is from the 47 per cent of seconds and thirds that supplies to Canada from the independent collieries are drawn. Of the Red Vein produced by Amalgamated Collieries, only experimental cargoes have been imported into Canada. A small percentage of Red Vein is imported from the independent collieries.

The above facts are a justification for the statement made by Amalgamated Collieries that they have secured most of the high grade mines in Wales as they

have 80 per cent of the mines producing primes and bests as against 20 per cent by the independent collieries. The independent collieries in addition control two-thirds of the mines producing Red Vein.

Of the cobbles produced by Amalgamated Collieries from the mines producing seconds and thirds in 1934, approximately 70 per cent was shipped to Canada and also a tonnage equal to its total production of smalls of the same grades.

In the same year the independent collieries shipped, in cobbles, about 25 per cent of their production of seconds and thirds, and a tonnage equivalent to approximately two-thirds of seconds and thirds in small sizes.

In 1935 Amalgamated Collieries shipped to Canada slightly under 50 per cent of its production of seconds and thirds and, in small sizes a tonnage equivalent to their total production of smalls from seconds and thirds. In the same year the shipments of cobbles from independent collieries increased from 25 per cent to 40 per cent, and practically their total production of smalls.

On page 66 of this report will be found a discussion of the values of these various groups as shown by the prices obtaining in Great Britain. In 1935 the best grades of cobbles and French nuts brought a price of \$2.70, f.o.b. Swansea, greater than the average price paid by Canadian importers. In 1936 these higher grades were selling in London, England, for approximately \$16—that is \$3 more than the retail price in the city of Montreal for the seconds and thirds imported into Canada. Also, as previously stated, the difference is largely one of friability and not in the chemical content of the coal as shown by chemical analysis.

(b) Study of Analyses filed by Importers and Dealers:

Files of analyses of imported coal were obtained from Canadian Import Company, Susquehanna Collieries, Iroquois Fuel Company, Elias Rogers Company, F. P. Weaver Coal Company (Toronto office), Co-opérative Catholique, Mongeau and Robert, and the Scotch Anthracite Coal Company.

Of the companies submitting files, only the Scotch Anthracite Company makes regular analyses of each grade of coal in each cargo received. The other companies appear to make analyses only when a new kind of coal is being received, or when complaint is made, or for information for salesmen. Altogether 83 analyses of Welsh anthracite, 114 of Scotch and 61 of other kinds have been tabulated.

The following table gives the results of these tabulations in the form of the median average for each characteristic in each type of coal, as well as the interquartile range of each characteristic. The latter gives some indication of the variability of each class, i.e. half the recorded cases will fall within the range defined by the median plus and minus half the interquartile range, a variable one will have a relatively large interquartile range.

ANTHRACITE COAL

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ANALYSES OF COAL—DRY—BASIS—MEDIANS

	No. of Samples	Volatile	Fixed Carbon	Ash	Sulphur	B.T.U.	F.P.A.
Welsh, Big Vein, Domestic.....	21	8.3	88.1	3.6	0.9	14,935	
" Blower.....	47	8.0	86.3	5.0	0.9	14,750	2335
" Red Vein.....	15	8.0	87.2	4.4	1.4	14,780	
Russian.....	1	4.4	91.5	4.1	1.0	14,785	2350
Belgian.....	6	8.7	85.9	5.8	0.9	14,785	2355
German.....	10	8.1	80.2	4.0	1.1	14,550	2246
Indo-Chinese.....	13	5.6	89.8	5.1	0.7	14,535	2440
Scotch, Domestic.....	67	6.8	87.7	5.3	0.8	14,275	2630
" Blower.....	47	7.0	85.4	7.1	0.8	14,010	2755
Pennsylvania, Domestic.....	10	5.6	84.8	9.6		13,630	
" Blower.....	7	6.4	80.4	12.6		13,050	
British Dry Steam.....	13	12.3	82.6	5.2	1.1	14,430	2246

INTERQUARTILE RANGES

Welsh, Big Vein, Domestic.....	1.2	2.6	2.2	0.2	430	
" Blower.....	2.2	2.9	1.4	0.3	374	154
" Red Vein.....	1.8	2.4	1.0	0.3	345	
Belgian.....	0.8	2.0	1.8	0.1	918	160
German.....	1.5	2.5	1.5	0.3	200	145
Indo-Chinese.....	3.0	3.5	2.0	0.1	210	597
Scotch, Domestic.....	2.2	2.2	1.7	0.2	528	280
" Blower.....	1.4	1.6	1.3	0.2	523	145
Pennsylvania, Domestic.....	2.2	1.8	0.5		105	
" Blower.....	2.5	4.7	2.8		600	
British Dry Steam.....	0.7	2.6	2.1	0.4	660	207

The ordinary domestic consumer of anthracite is interested primarily in two characteristics: the heating quality (B.T.U. rating), and ash content. The following table presents the foregoing analyses arranged on the basis of B.T.U. and ash content. It will be seen at once that the order for B.T.U. and ash content is the same—that is, the coal with the maximum B.T.U.'s has the minimum ash content.

TENTATIVE RATING OF COALS ACCORDING TO QUALITY

	No. of Samples	B.T.U.	Ash
Welsh, Big Vein, Domestic.....	21	14,935	3.6
Russian.....	1	14,785	4.1
Welsh, Red Vein.....	15	14,780	4.4
Welsh, Big Vein, Buckwheats.....	47	14,750	5.0
Belgian.....	6	14,785	5.8
German.....	10	14,550	4.9
Indo-Chinese.....	13	14,535	5.1
Brith Dry Steam.....	13	14,430	5.2
Scotch, Domestic.....	67	14,275	5.3
Scotch, Buckwheats.....	47	14,010	7.1
Pennsylvania, Domestic.....	10	13,630	9.6
Pennsylvania, Buckwheats.....	7	13,050	12.6

The above analyses were made on a "moisture free" basis. The figures, of course, would be different on an "ash free" basis. From the point of view of the consumer the former is the proper analyses as the presence of an excessive quantity of ash reduces the amount of heat available per ton of coal. This is clearly brought out in the above table.

Further, in comparing coal analyses the question of whether the analyses were made on an "as received" or "ash free" basis is one of great importance. The tendency will be for the person dealing in a coal in which the ash content is high to give an "ash free" analyses. This, when compared with a coal analyses on an "as received" basis of course will appear to give the former coal a place of superiority. This accounts for a good deal of the discussion which has taken place as to the comparative quality of Welsh and American anthracite. The analyses given by the American Society of Testing Material is always on a "mineral free" basis.

Another characteristic of anthracite which has become of considerable importance to consumers using forced draft in blower heating systems is the ash fusion point of the small sizes. A "clinkering coal" is necessary to the operation of blower systems with stationary grates, and a coal to "clinker" satisfactory should have an ash fusion point not higher than about 2,350-2,400 degrees Fahrenheit. Welsh, Russian, Belgian and German are definitely clinkering coals; Scotch and the ordinary varieties of Pennsylvania are non-clinkering. There are two types of Indo-Chinese coal—one definitely clinkering and the other not. There are also two or three special types of Pennsylvania anthracite that do clinker.

For only one company was it possible to compare analyses for two different years. A study of the Scotch anthracite analyses for 1933 and 1935 yields the following results:—

SCOTCH DOMESTIC SIZES

	1933	1935
Volatile.....	6.9 + - 1.1	6.7 + - 0.85
Fixed carbon.....	83.1 + - 1.1	87.3 + - 0.85
Ash.....	5.3 + - 0.85	5.4 + - 0.8
B.T.U.....	14,268 + - 148	14,288 + - 264

SCOTCH BLOWER SIZES

	1933	1935
Volatile.....	7.8 + - 0.7	7.5 + - 0.6
Fixed Carbon.....	85.4 + - 0.65	85.3 + - 0.8
Ash.....	6.9 + - 0.55	7.4 + - 0.65
B.T.U.....	14,162 + - 151	13,060 + - 262

It will be observed that in the domestic sizes there are no significant differences between 1933 and 1935 qualities. In the blower sizes, however, some deterioration of quality can be seen. There is a significant rise in the ash content, and a significant fall in the B.T.U. rating with a considerable increase in its variability. This slight deterioration of quality in blower sizes is probably due to the increasing pressure exerted by Canadian importers on the exporters to maximize shipments of buckwheat sizes.

(c) Oral Evidence:

There has been a good deal of complaint, especially in the Toronto area, on the quality of anthracite. These complaints cover several items:

- (i) Sizing and preparation;
- (ii) Heating quality;
- (iii) Mixing.

(i) **Sizing and Preparation.**—In Montreal it appears to be a fairly standard practice among the importers and wholesalers to screen all sizes, including buckwheats, prior to delivery to customers. In Toronto, the practice is that the customer gets his blower coal just as it was loaded in the country of origin, plus all degradation en route and in handling on the Toronto docks. It follows that the Toronto consumer will get blower coal that is much dirtier and containing a much larger proportion of fines and dust than that usually sold in Montreal. And since coals vary greatly in friability, he will get some lots of coal much worse than others. Clearly if Welsh anthracite is to keep its share of the Toronto market, its sizing and preparation will have to be improved.

(ii) **Heating Quality.**—Complaints as to heating and burning qualities are due in part to the inadequate preparation of the coal; in part to the fact that the consumer must learn how to handle it, but also in part to the inherent variation in quality. Overseas coals are less consistent than standard Pennsylvania anthracites. There is, of course, always the possibility that the coal is not as represented.

(iii) **Mixing.**—The claim was made to your Commission by various dealers that a mixture had been made of Welsh dry steam coal and anthracite and sold as anthracite, the purpose being to reduce the cost of the blower size coal.

There is no doubt, as the following facts will show, that the mixing of lower-grade coal with standard is practised to some extent, and the consumer often does not know what he is getting. Some indication may be inferred from an examination of the analyses records. Out of 83 samples examined, 6 had volatile contents varying from 10.2 per cent to 11.3 per cent. According to the standard reference works, the volatile of genuine Welsh anthracite should not go over 9.0 to 9.5 per cent.

An examination of the evidence submitted shows the following:

Quebec:

In 1934 the Canadian Import Company in Quebec brought in approximately 12,000 net tons of Aberdare coal which was sold for two purposes,—

(1) for domestic use, when 30 per cent of the Aberdare was mixed with 70 per cent of Big Vein anthracite and sold at the prevailing anthracite price. In this connection Mr. Stobo states "that dealers were advised of the quality of the coal, and that consumers were also informed by circular." (Exhibit No. 334);

(2) it was sold unscreened to steam plants as Aberdare, again at about 75 cents less than Anthracite.

In the case of sales for domestic use, an additional profit of approximately 30 cents per ton was made. In the case of the other sales, a reduction of 75 cents was about equivalent to the difference in cost.

Montreal:

In Montreal the Canadian Import Company imported approximately 5,000 net tons in 1934. According to the testimony of Mr. Aird, only 118 tons were sold and that only to special customers for experimental purposes, and they were informed of the nature of the coal. The balance remains unsold in the possession of the company. A small purchase was made in 1935 which is still on the company's docks.

In 1934 the Co-operative Catholique des Consommateurs de Combustibles brought in approximately 7,000 net tons. This was sold directly to churches and religious institutions as Welsh buckwheat. Unless these organizations were specially informed, there can be no doubt that this coal was purchased in the belief that it was anthracite.

In 1934-35 the Scotch Anthracite Company brought in approximately 67,000 net tons of which about 50 per cent was sold in the Toronto district, and the remaining 50 per cent in the Montreal district. This coal was sold as "Welsh Buckwheat No. 1" and "Welsh Buckwheat Nos. 1 and 2" in the Montreal market, and as "Welsh Blower" in the Toronto market. As it was sold by a company specializing in anthracite and on the company's published price-list was the only coal that was not anthracite, and as the description "Welsh Buckwheat" and "Welsh Blower" were those commonly used on the market to describe small size Welsh anthracite, a purchaser, unless the situation were specially explained to him, would certainly understand that he was buying Welsh anthracite.

Mr. Forsyth, when questioned on this point, stated as follows:—

"Q. But your dealers would expect, would they not, that it would be anthracite, because it is sold by the Scotch Anthracite Company. In your price list you refer to 'Scotch'; that is all anthracite—the Scotch—is it not? The American is all anthracite. Then you come to Welsh, and it is not all anthracite?—A. I quite agree with you, that with that ambiguity of expression it leaves it open to a man to be deceived. I quite agree with that, but I am equally anxious to point out that we made no affirmative representation that it was so, and that anybody who made inquiry about it or asked for an analysis of it got a frank, open and full statement of what it was, always."

(Evidence, pp. 3349-3350.)

Your Commission wishes to state emphatically that it is not satisfied that the necessary precautions were taken to prevent the consumer from being deceived in his purchases.

Toronto:

In 1934 the Milnes Coal Company of Toronto brought in approximately 6,000 tons of Craigola nut coal, a dry steam coal. This coal was screened, and the domestic sizes sold as "Milnes British Nut Coal," at \$2 a ton less than the prevailing anthracite price. The balance, the fines, was mixed with anthracite blower and sold as anthracite.

In the same year, 1934, Halliday Brothers imported approximately 6,000 tons of dry steam which was mixed with Welsh anthracite by the exporter. This coal was sold as Welsh anthracite in the Toronto market at current anthracite prices. It may be said that this is the only instance during the years under review where a Welsh exporter mixed dry steam and anthracite for the Canadian market, although, according to the evidence of Mr. Alfred Rogers, Amalgamated Collieries urged Elias Rogers Company to substitute dry steam coal for anthracite blower. Welsh exporters generally have refused to ship such a mixture of the two types as they are jealous of the reputation enjoyed by Welsh anthracite.

In the same year Elias Rogers Coal Company brought in approximately 3,000 tons of dry steam. After screening, the large sizes were sold as "British Nut" at a price both wholesale and retail of \$1 per ton less than the prevailing anthracite price. The blower sizes were sold as "British Blower" at 50 cents less a ton wholesale than the corresponding anthracite sizes, and at the same price retail.

In 1935 the F. P. Weaver Company brought in approximately 5,000 tons of dry steam and sold it as "Welsh Admiralty Blower" at approximately \$1 less than the prevailing anthracite price.

In addition, the evidence shows that in 1934-35 Welsh and German anthracite were mixed, and the mixture sold as Welsh or under some trade name intended to conceal the fact. As in this case the coals mixed were of approximately equal value, the consumer though deceived, did not suffer any financial loss.

The above facts speak for themselves.

SECTION VI

DISCUSSION OF CERTAIN GENERAL PROBLEMS

1. Exclusive Contracts:

The practice of granting exclusive contracts for the sale of anthracite in certain areas is a very common one. For example, the exclusive contracts of Amalgamated Collieries with the British Coal Corporation; the Belgian contract held by Iroquois Fuel Company; the Saramine contract with Elies Rogers Company; etc.

Undoubtedly there are circumstances where such exclusive contracts are economically justified:—

- (a) In the development of a new market, e.g. Welsh anthracite in Canada in the early days, say 1923 to 1928.
- (b) In supplying a very distant or unfamiliar market, e.g. Indo-Chinese anthracite and, at least in the 1928-1931 period, Russian coal.
- (c) Where the total exportable supply is small—that is, not more than a quantity which a moderately-sized business could handle, e.g. Belgian anthracite.
- (d) Where there is a considerable number of suppliers, and a considerable number of buyers, e.g. Pennsylvania anthracite.
- (e) Where the producer desires to deal directly with the consumer, e.g. Scottish anthracite.

Where, however, a single dominant producer supplies a large, well developed and familiar market with the bulk of its supplies the argument against exclusive contracts is very strong. For example, in the years 1933 to 1935, the Amalgamated Collieries supplied, on the average, nearly 800,000 tons of anthracite per annum to Ontario and Quebec, or 65 per cent of all Welsh anthracite coming into this market. If we add T. T. Pascoe Company coal to Amalgamated, the figures are 1,000,000 tons and 84 per cent.

It is practically certain from an economic point of view that the public interest would be better served if Amalgamated Collieries and T. T. Pascoe Company sold freely in the open market to all responsible importers. This is especially true where the buyer has the exclusive right to receive such anthracite, but is under no obligation to take all the anthracite economically available. The argument becomes still stronger when applied to a market in which a substantial preference is conceded. If a dominant producer in the preferred area confines the benefits of a business and the tariff preference to a single buyer, the question may well arise whether or not a continuation of a preference is desirable.

Your Commission has been impressed with the amount of time and labour which seems to be spent in trying to secure and maintain such exclusive contracts. The large amount of energy devoted to trying to prevent competitors from getting supplies of anthracite might be much better spent in improving the efficiency of the importing and marketing organization.

2. Classification of Anthracite:

In connection with the classification of coal, it has already been pointed out that the word "anthracite" is not a word to which a specific scientific definition can be given. There are coals grading from the highest type of what is called anthracite by regular gradation, without sharp lines of demarcation, down to the lowest grades of bituminous.

The Department of Mines and National Revenue in consultation have fixed a certain minimum specification which permits coal to be classed as anthracite for revenue purposes to meet the requirements of the Tariff Act. This specification requires:

- (1) That the ratio of fixed carbon to volatile combustible matter must be at least 6 and
- (2) That the coal does not show distinct coking, caking or agglomerating properties,

the latter being regarded as a specific quality of bituminous coal.

For example, an analysis of a typical Grade 1 Welsh anthracite shows results as follows:—

Carbon	91·31
Volatile	4·72
Moisture	1·81
Ash	2·16
B.T.U's	15140

the ratio, therefore, of the fixed carbon to volatile (combustible) matter would be 91·31

$$\frac{\quad}{4·72} = 19·35.$$

4·72

A typical example of Grade 2 Welsh anthracite would be:—

Carbon	86·37
Volatile	8·63
Moisture	2·00
Ash	3·00
B.T.U's	14476

A still lower grade of Welsh anthracite would be:—

Carbon	84·99
Volatile	8·91
Moisture	1·32
Ash	4·78
B.T.U's	14550

In each of the above cases the ratio is well above 6 and, in addition, the coals mentioned show a complete absence of caking quality.

A typical British dry steam coal would be:

Carbon	79·60
Volatile	11·55
Moisture	1·18
Ash	7·67
B.T.U's	14260

It will be seen at once that this coal is still within the terms of the anthracite definition as far as the ratio of fixed carbon to volatile is concerned. In the main, however, these dry steam coals will show an agglomerating or caking quality when heated and, when such is the case, are classed under the tariff as coals n.o.p. which is mostly bituminous. On the other hand, some of the dry steam coals would not show caking properties and, therefore, under the definition of the Department of National Revenue, are classed as anthracite. The result has been that some of the cargoes properly classed in Great Britain as dry steam coal have passed the Customs test as anthracite in Canada, and other cargoes coming from the same mine have failed to pass the test because of caking quality.

When it is remembered that these coals are all so similar in appearance that, if properly prepared, one cannot be distinguished from another by the

naked eye, it will be seen at once that the door is open for deception on a wide scale. For example, a Grade 1 Welsh anthracite, cited above, (cobble size) would cost approximately 50/- c.i.f. Montreal (none of this is imported into Canada), the second grade would cost approximately 36/- per ton, coal of the third grade approximately 33/- while the dry steam coals would cost approximately 25/-. If, therefore, these coals can all be sold as Welsh anthracite without any other qualification it is possible for a dealer to sell the lowest grades at the price of the highest, the consumer not being aware of the difference. There was evidence before your Commission that this actually had been done, viz., dry steam coal was mixed with true anthracite and sold at a price of the higher grade of coal. In another case it was not mixed but was sold under the title of "Welsh Blower," the purchaser being doubtless under the impression that he was getting Welsh anthracite, blower size. Again, the price paid was that of the higher grade. In the latter case, it is true that the evidence showed that the coal was not described as anthracite, but the customer was not given a proper analysis unless he personally raised the question. It may be safely assumed that in the vast majority of cases such questions were not raised, the purchaser believing that he was securing the ordinary Welsh anthracite as sold on the market.

Further, it was freely admitted before your Commission that during the years 1934 and 1935, German anthracite was mixed with Welsh anthracite and sold as Welsh anthracite. As the quality of the German and Welsh anthracite entering Canada does not greatly differ, particularly in the smaller sizes, the consumer did not suffer material loss in his purchase, but he was deceived as to the origin of the coal, a deception which in certain cases was exceedingly offensive, as individuals for special reasons desired to purchase Welsh anthracite and assumed that they were getting it. This offensiveness was so marked that a group of citizens in Toronto entered a formal protest against what was being done, as they did not desire to purchase German coal. The result was that steps were taken to meet the situation by segregating sufficient of the Welsh importations to meet their demand.

The problem has been somewhat complicated in the past by the fact that the definition agreed upon by the Departments of Mines and National Revenue, previously referred to, was an arbitrary definition decided upon for revenue purposes, but it was accepted by the public as an official definition of anthracite, with the result, as previously mentioned, that some dry steam coal was sold as anthracite and some as bituminous, depending upon certain fine marginal differences. Importers, therefore, consider themselves within their rights in selling any coal which, under the definition, could be brought in free of duty.

Another difficulty is associated with the mineral content of most American anthracites. An extreme case is that of anthracite being sold in Canada as "Virginia Anthracite" where the mineral content runs as high as 25 per cent, although the coal itself, separated from the mineral content, is anthracite in quality.

The American definition of anthracite requires a certain ratio of free carbon to combustible volatile on an ash free basis—that is, mineral free. The definition heretofore used in Canada has been on an "as received basis." Naturally the ratio of fixed carbon to volatile is much higher on an "ash free basis" than on an "as received basis." For example, the Virginia anthracite referred to above treated on an "as received basis" does not give the 6 ratio, while on an "ash free" basis the ratio would bring it somewhere between 7 and 10.

Your Commission considers the public should be protected against the importation of anthracite with mineral content as high as that just mentioned. It should either be refused admission to the Canadian market on the ground

that it is a mixture of coal and foreign material, or the purchaser should be made aware of the facts.

Under Section VII will be found recommendations for classification which, if accepted by the Government, will, in the opinion of your Commission, give the public the necessary protection.

3. Special Commissions:

The payment of commissions to agents and brokers is a well established and legitimate commercial practice, but can only be justified where an equivalent service is rendered. Your Commission has been impressed with the variety and the size of the commissions being paid on Amalgamated Collieries anthracite sold in Canada for which no discernible service is being rendered. The British Coal Corporation, for example, receives a commission of 12 cents a ton on all anthracite sold in Ontario; ten cents a ton on anthracite sold in the Halifax area, and twenty-five cents a ton in the Maritime Provinces outside of Halifax. The Milnes Coal Company receives commissions of twenty cents a ton on all anthracite sold in Ontario west of Kingston, and the F. P. Weaver Company receives six cents a ton on anthracite supplied to Elias Rogers Company.

It may be true that the Webster companies or the Milnes Coal Company did some useful pioneering work in the development of a market for Welsh anthracite in Canada twelve or fifteen years ago. But both these companies appear to have been amply compensated for such efforts, both by the commissions they received in the early days and the very substantial profits they have made continuously for the past ten years. There seems to be no sound reason why the consumer, who eventually must absorb these commissions, should continue indefinitely to pay a toll for certain hypothetical development work of many years ago. We have received no evidence to indicate that either the Webster group or the Milnes Coal Company performed any service whatever to justify the quite substantial commissions still being paid.

These commissions, which ultimately must come from the consuming public, amount to substantial sums. They not only mean a great financial advantage to the companies securing them, companies already earning large profits, but they constitute a formidable weapon in competition. During the years 1933, 1934, 1935 the British Coal Corporation received in special commissions on anthracite sold by Amalgamated Collieries to other Canadian dealers, \$85,000. During the same period the Milnes Coal Company received \$75,000. The following table shows in the vertical column the companies receiving such commissions, the horizontal, the persons paying, while the figures indicate the amounts annually per ton.

	Weaver	Milnes	Rogers	Halifax	Balance of Maritimes
British Coal Corporation.....	.12	.12	.12	.10	.25
Milnes Co.....	.20		.20		
Weaver Company.....			.06		
Total.....	.32	.12	.38	.10	.25

Your Commission is unable to determine that any service is being rendered to warrant these payments. This is especially true of Nova Scotia, which imported Welsh coal before the Amalgamated Collieries Company was organized, the importing company having no knowledge that such a commission was being paid.

4. Wharves and Unloading Facilities:

Complaints were made to your Commission on several occasions that the inadequacy of dock and wharf spaces for unloading, storing and preparing overseas coal was an important contributory factor in the establishment of alleged monopolies in anthracite. It was further suggested that certain dominant firms had secured the control of all the most suitable spaces, and that at times there was favoritism in the allocation of such spaces. Your Commission, therefore, inquired very fully into the dock situations in Montreal, Toronto, Quebec, Halifax, and Saint John, and made more general inquiries into the situation at certain other smaller ports.

In the first place it should be clear to everyone that if a company is undertaking to make long-term contracts for the purchase of coal, and is setting up expensive equipment for handling it, the length of the lease and the space to be occupied must be consistent with the size of its operations and the permanent expenditures involved. Harbour Boards necessarily make a distinction between persons doing a moderately small business, using light, portable equipment for unloading and screening the coal, and companies doing a very large business with the use of expensive fixed and permanent structures. The modern large-scale coal dock with its huge unloading bridges, its underground tunnels with many thousands of feet of conveyor belts, its large and fully automatic screening plants, would never be developed unless the operator had security of tenure on his space for a long term of years.

Montreal:

The following table gives the details of dock spaces in the harbour of Montreal leased to companies handling overseas anthracite coal. (See Exhibit No. 18.)

Company	Space sq. ft.	Terms	Expiry date
Nova Scotia Steel & Coal Co., Ltd. (in Receivership).	141,600	10c. per sq. ft. per annum	30th April, 1937.
Canadian Import Co.....	495,150	" "	30th April, 1940, but with right of renewal for 10 years.
British Coal Corp.....	59,945	" "	30th April in each year, but renewable without notice. Termination subject to six months notice prior to 30th April in each year.
F. P. Weaver Coal Company.....	105,000	\$10,500 per annum.....	30th April, 1940, with right of renewal for five years.
Mongeau & Robert.....	245,000	10c. per sq. ft.....	30th April, 1937
Susquehanna Collieries, Ltd.....	75,000	\$4,000 per annum.....	"
Iroquois Fuel & Coal Company, Ltd.	150,000	10c. per sq. ft.....	"
Co-operative Catholique des Consommateurs de Combustibles.	152,000	2½c. per sq. ft. per month on space occupied.	"
Scotch Anthracite Coal Company	255,015	10c. per sq. ft.....	30th April, 1942, but with right of renewal for ten years.
Canada Cement Co.....	371,900	6 p.c. of cost of wharf and extension—\$377,825.39; plus 1c. per sq. ft. per annum of space occupied.	30th April, 1949.

Of these spaces those leased to the Nova Scotia Steel and Coal Company and to the F. P. Weaver Company are normally used for bituminous coal, but some anthracite has been handled or stored on them. The Canada Cement Dock, which lies some 8 or 9 miles east of the centre of the city, handles a variety of bulk commodities, including large quantities of anthracite, chiefly for Susquehanna Collieries Limited and the Elias Rogers Company. Omitting the two docks normally used only for bituminous, there are 8 spaces used for anthracite, totalling some 7,700 feet of deep water frontage (varying from 500 feet to 1,700 feet each). The usual depth of the space is 150 feet, though some are only 100 feet. The total superficial area of the 8 spaces is approximately 1,700,000 square feet.

Mr. Ferguson, Port Manager of the Port of Montreal, stated that there was one space of 75,000 to 80,000 square feet immediately available for any importer wishing to occupy it. Should several new importers apply for allocations, or should present importers apply for additional space, it would clearly be very difficult, if not impossible to accommodate them without heavy capital expenditures and a long waiting period. It is quite clear, however, that there is no monopoly of wharf space in Montreal, and your Commission has not learned of any bona fide prospective importer being deterred by lack of dock space. One company stated that its space was quite inadequate for its needs, but this company is able to handle all its coal by privately contracting for space on the Canada Cement Dock, and the witness for this company stated that he was not complaining as he knew the difficulties in the harbour situation in Montreal. It should be noted, however, that if the demands of its other business make it impossible for the Canada Cement Company to handle and store anthracite, the remaining spaces available will no longer be adequate for the trade.

The rentals charged in the Port of Montreal are a uniform rate per square foot: 2½ cents per month, with a maximum of 10 cents per annum. The only variations from this common rate are, (a) the Canada Cement Company which, under an agreement made when the wharf was built, pays until 1949 6 per cent of the cost of the wharf, plus 1 cent per square foot; and (b) in certain cases, the Harbours Board grants "restricted use" of a space, in which case a commensurate reduction in rental is made.

The length of the leases is normally 1 year. The long term leases to Canadian Import Company, F. P. Weaver Company, Scotch Anthracite Coal Company and Canada Cement Company would seem to be justified by the heavy expenditures on permanent equipment on those spaces.

St. Lawrence Stevedoring Company (operating the equipment on the Canadian Import Company dock), Scotch Anthracite Coal Company and Canada Cement Company each has its own unloading equipment, consisting of large overhead bridge cranes. Other lessees must use the equipment supplied by the Harbours Board at the rate of 8 dollars an hour for a locomotive crane and crew. Locomotive cranes cannot tranship from ocean to lake boats, but there appears to be keen competition between St. Lawrence Stevedoring Company, Scotch Anthracite Coal Company and Canada Cement Company for this class of business.

Quebec:

The situation in regard to dock space at Quebec is very different. The total dock area developed is small. The Canadian Import Company is lessee of three areas totalling 562,670 square feet. In addition, the Canadian Import Company at times stores coal on part of the area leased to the Nova Scotia Steel and Coal Company. The Harbours Board will not lease dock space for coal in the Wolfe's Cove area because of its proximity to the Empress dock

and the scenic park developments. In the whole area under the jurisdiction of the Harbours Board there is only one small space of 10,000 square feet in the Louise Basin available for discharging coal. This space is available for storage for not more than ten days.

The Canadian Import Company in April, 1936, offered to re-lease temporarily an area of about 15,000 square feet adjoining the present vacant space, on the condition that the combined area be used as a "public dock," i.e. it was not to be leased to any one company. The Harbours Board declined the proposal "as being inadequate to the purpose intended." (Evidence p. 1596.)

The Secretary of the Quebec Harbour Commission stated that several applications for coal dock space had been refused by the Commission in 1933, 1934 and 1935 due to lack of space. (Evidence pp. 1528-1534.)

There is one extra dock space for coal occupied by Lane and Robitaille on property owned by the Canadian National Railways. Overseas coal purchased from Canadian Import Company is discharged at this dock.

Both Canadian Import Company and Lane and Robitaille own their own discharging equipment. While the Harbour Commission has three movable cranes, it is admitted they are uneconomical for this purpose.

On October 10, 1935, the Canadian Import Company applied for and received renewals of all its dock leases for a period of ten years, with a right of renewal for another ten years, though they still had from 1 to 5 years to run.

Chicoutimi:

In 1929 the Canadian Import Company secured a lease from the Chicoutimi Harbour Commissioners for a site the size of which is not defined in the lease, but is subject to approval by both parties. The lease is for 20 years from May 1, 1929, with the option of a renewal for 10 years.

The site is described as follows: "The necessary ground. . . for discharging, loading, handling and storage of coal, coke, ore, sulphur, sand, salt-cake. . . and all bulk cargoes. . . The ground to be on the wharves. . . in the town of Chicoutimi, etc."

The rental was fixed at 2½ cents per square foot of the space actually in use.

The Canadian Import Company agreed to erect a suitable plant for the discharging of coal at rates to be agreed upon. In return the Chicoutimi Harbour Commissioners agreed not to erect or permit the erection of any other coal handling plant during the life of the contract. The lease also carried the right to erect oil tanks, pipe lines and other necessary machinery for supplying oil to oil burning steamers.

Toronto:

The docks in Toronto have been admirably planned, and ample space is available for importers in the special area set aside for the discharging and storing of coal. Importers have to supply or rent their own discharging machinery, but there appears to be ample equipment available at reasonable and competitive rates. Coal handled on the Toronto harbour front now totals over 1,500,000 tons per annum, of which over 300,000 tons is anthracite.

Halifax:

In Halifax there are only two importers using wharf space. The A. T. O'Leary Company rents space from the Harbours Board. The S. Cunard Company has its own wharf and equipment. The problem of wharf space is not a pressing problem.

Saint John:

In Saint John a similar condition exists to that in Halifax. No question associated with wharf space was raised before your Commission.

5. Labour Conditions:

Evidence was presented to your Commission in Toronto to the effect that thoroughly bad conditions in respect of wages and hours of labour existed in certain sections of the coal trade. Some of the piece-rates and ton-rates in effect are so low that men working full days earn as little as thirteen cents an hour. Instances were produced of men working a full week for as little as \$8.35, and of truck drivers working 72 hours a week for \$15. A large file of similar cases was produced before your Commission.

It is not suggested that the above are typical or average rates, but such cases are sufficiently numerous to warrant a reference to them in this report.

Some dealers have their own delivery trucks and employ their men at a regular weekly wage. Other dealers pay their delivery men a rate per ton. This rate in many cases is so small that even long hours provide a wholly inadequate weekly income.

The chief offenders appear to be certain cartage companies. Many coal dealers make contracts with these companies for the delivery of their coal. Contracts are let to the lowest bidder, often at prices that make the payment of reasonable wages impossible. The result is that wages are driven below a subsistence level. It was stated in evidence by an official of the Coal Handlers and Truckers Union (Evidence, p. 3036) that, in the winter of 1935-36, of 1,286 men in Toronto employed in the coal trade, over one-third had subsisted on part wages and part relief.

This situation is mainly due to the fact that cartage contracts are made which can only be carried out by paying abnormally low wages or working abnormally long hours. Coal companies making such contracts must accept a large share of the responsibility for the bad conditions of labour which result. All the major coal companies must know full well the cost of delivering coal, and when contracts are signed at abnormally low rates, they must know that long hours and low wages necessarily follow.

6. Representations by Importers and Dealers:

During the hearings many suggestions were made to your Commission concerning means for removing certain conditions which exist in the coal trade. It was stated that short-weighting and mixing are prevalent and that the poorer class of consumer suffers in consequence.

In Montreal it was stated that the by-law requiring a licence to sell coal is not enforced; that public weighing is not compulsory; and that no sufficient indication of the grade or kind of coal is required on the delivery slip. In Toronto, similar conditions are said to exist, except that public weighing of coal is required, though not invariably carried out.

Three formal communications—one by Alderman Biggar of Montreal, one by a group of Montreal importers and dealers, and a third by the retail coal dealers of Toronto and of York township—were submitted to your Commission, and these cover the principal complaints.

Alderman W. H. Biggar of Montreal stated as follows:

" . . . There are at present in Montreal on relief about 32,000 heads of families, not including single men. In the other parts of the immediate neighbourhood of Montreal there are about 3,500 more similar heads of families. Call it 35,000 for the sake of brief figures. My figures are closely approximate but may be verified if you want to have the exact figures. I think they are all available. The allowance for fuel to these families varies from 90 cents to \$2.05 per week in Montreal and is approximately the same in the other municipalities. . . .

"So it could be said properly that the unemployed purchasers of fuel, and I use the word 'fuel' deliberately, spend about \$50,000 per week

during the heating season on fuel. This would conceivably cover the round sum of about a million dollars, allowing for twenty weeks for fuel, and it is probably a little more than that. It is in connection with these 35,000 consumers, plus the next 35,000 consumers above them in the scale who are not on relief that I particularly wish to give a few facts and make a few suggestions.

"If you take these 70,000 consumers, it is probable that they use about 100,000 tons of coal per annum. That is an average of $1\frac{1}{2}$ tons apiece, and that is pretty nearly exact, although it seems strange. They also use wood, coke and charcoal to a large degree, and they probably spend \$2,500,000 per annum on fuel. They are served by about 500 distributors, some of whom sell as little as \$1,000 worth of fuel in a year. And yet they make a living out of it.

"The anthracite coal which is sold to these 70,000 families is sold on the basis of from 60 to 80 bags to the ton, at 25 cents per bag. That is really the grocery store delivery. Or on the basis of 20 bags to the ton, from 70 to 85 cents per bag.

"There are three points I wish to try to bring before the public in connection with that exposé of the background, as follows: First, in many cases—I do not want to be unfair—but in many cases the consumer has absolutely no guarantee as to the weight, and he has even less protection as to the quality, and he is paying a very high price when it is based on a ton.

"If you take these facts you come to the conclusion to which I have come, and which is subject to correction—that these consumers are paying about \$16 per ton in the bag. Call it \$16, if you like, but over \$16 the ton in the bag for coal which is called good number one anthracite, but which by the time it gets to most of them has been adulterated.

"Being small purchasers dealing with small dealers it is pretty hard for anybody, government authority or otherwise, to cover that territory and give the consumer protection.

"When you pass up coal and come to wood, it is my information that in many cases wood is costing these consumers up to \$20 a cord of short sawn.

"The purpose of my coming here to-day was to try to find out a method which would be a common-sense method of overcoming that improper situation so that the consumer can get better fuel at a lower price.

"There are three interests which should take part in such a movement. The predominating dealers should be interested and the consumers themselves. The consumers through a voluntary association can take hold of this situation. It has been done in many other places. With the assistance of the predominating dealers and the authorities, because there is no conflict whatever, and with to a great degree, the assistance of these distributors who are now in the trade, this thing can be put on a better basis on the theory of consumer co-operatives. The consumer co-operative movement should be understood to be a movement which should originate amongst the smaller buyers on a voluntary basis, managed by themselves on a democratic plan. There is all sorts of literature on the subject and I am not going to weary you about that.

"One of the most important benefits of such an organization is that it will educate the consumers themselves to the obligations of business and will also show them how by their own energies they may perhaps be able to improve both the cost and quality of the commodity they may be buying, which in this case would be fuel. Naturally a great many of the small distributors who are now in that part of the business would automatically become managers of these different agencies by way of volun-

tary association that I am speaking of. Such a movement would not be dictated from above but I think it should be encouraged both by the authorities and by the interests on a large scale in the coal business. My reason for saying that is there will be undoubted social benefits if these people can get a better fuel at a lower cost and a great deal probably of the criticism of the coal trade comes from these 70,000 heads of families, or that circle in our social economy. . . ." (Evidence, pp. 3104 to 3109).

The situation to which Alderman Biggar calls attention is a serious one. It cannot be doubted that if the suggestion made were carried into effect great economic advantage would accrue to that part of the community participating in the scheme. The converting of those to be helped to the principal of joint action would require intensive effort. It is to be hoped that the task will be undertaken by a group of citizens competent and willing to do it, and your Commission recommends that if such is the case, every possible assistance should be given to the enterprise.

The Montreal importers' views were summarized by one of the leading importers as follows:—

"While it is recognized that current prices of all domestic fuels are lower to-day than for several years past, the coal situation is in an unsettled, unhealthy and unsatisfactory condition—especially in the dealer trade.

"Four outstanding situations are apparent:—

- "1. Representations have been made from time to time, based on uninformed opinions, that the public consider prices of domestic fuels too high.
- "2. The dealers complain the margin of spreads are too low.
- "3. The importers state the prices are unreasonably low and leave little or no margin of profit for the importers.
- "4. There are complaints as to quality, misrepresentation, short weights and other unfair practices among the dealer trade."

To remedy these unsatisfactory conditions the same importer recommended:—

- "1. Amendment of the Combines Act to permit the trade in Ontario and Quebec to get together and exercise some reasonable measure of regulation of the domestic fuel trade, looking to the elimination of unfair practices which have created the existing unhealthy and unsatisfactory conditions.
 - "2. Creation of a fuel commission to work in co-operation in technical matters with Dominion Fuel and Tariff Boards. The Commission to consist of three members—Chairman, to be appointed by the Federal Government, one by the Government of the Province of Ontario and one by the Province of Quebec. Fifty per cent of reasonable expenses of such a Commission to be paid by an assessment on all imported domestic fuel and all coke and fifty per cent by Government. Term of office of Commission to be one year.
- "Commission to have, among others, the following powers:
- "(a) To pass on fair prices and fair practices.
 - "(b) To approve the suggested wholesale prices after the importers have submitted their price based on their respective costs.
 - "(c) The Commission to have full opportunity to check purchase contracts and structure of suggested wholesale prices—without disclosing details to competitors.
 - "(d) To impose penalties for price cutting or indulgence in unfair practices.

" (e) To cut off supplies to dealers indulging in price cutting or unfair practices.

" (f) To stop dumping of foreign fuels.

" (g) To co-operate with municipal authorities in requiring the licensing of dealers.

" Dealers' margins, after deduction of cash discount, if any, to be—

Domestic sizes	Min. \$2.50	Max. \$2.75
Buckwheat sizes	Min. 1.50	Max. 1.75

as commission may determine.

" Standard classification of all domestic coals to be established.

" No restriction on blending anthracite domestic coals provided grades are of similar analysis and characteristics.

" Dry steam, low volatile bituminous and all similar classes of fuel not allowed to be bleuded with genuine anthracite.

" Commission to hold open monthly meetings—all complaints to be in writing; verbal and anonymous complaints not to be considered.

" Centralized storage to be encouraged, rather than be criticized, as a matter of economy.

" If some such regulations are not established and enforced and existing conditions are allowed to continue. . . many of the dealers may be forced into bankruptcy or eliminated, for there are importers to-day selling direct to consumers at wholesale dock price plus cartage.

" The dealers are a necessity to economical and efficient distribution. The consumer does not know the importer and contacts only his local dealers."

The dealers' case was stated somewhat as follows: The retailer is very diffident in expressing an opinion " about a wholesaler upon whom he was dependent for supplies." The retailer was forced to meet competition from " co-called dealers or peddlers who had no yard, employed no labour and whose only assets were an interest in a second-hand truck." " It was impossible for a dealer who gives service to his customers at all times of the year and under all weather conditions and who carries credits on his books, to meet such competition.

" The retailer in Montreal was being forced into the position of being merely a carter salesman and collecting agent for the importing houses. . . "

Other suggestions were:—

1. That the trade as a whole should be permitted to formulate regulations as to the coal being properly described when sold.

2. Advertising should be controlled by publication of analyses for special claims made, the analyses being on samples selected by government officials.

3. That the trade should be permitted to correct specific abuses by cutting off supplies to offending dealers.

4. A way should be found to prevent group selling.

5. Over-riding commissions should not be paid except when a corresponding service is rendered.

The Toronto dealers in their submission covered largely the same ground and, in addition, asked for the re-weighing of all coal from the United States at the border.

Your Commission has studied these submissions with considerable care.

The problems of classification and description of coal have already been discussed and a definite recommendation in this connection will be found in the final section of this Report.

The dealers' complaints with respect to group selling and to peddlers and " snow birds " have already been discussed. (See pp. 94, 95.)

In the matter of short weighting, false or misleading advertising and similar practices, your Commission believes that adequate laws already exist, and that the municipal police authorities should be competent to enforce these laws.

The complaints made in Toronto regarding the shortage of coal in cars shipped from the United States were made in general and vague terms. Your Commission received no specific evidence to show the extent and seriousness of this problem, and is therefore unable to make any recommendation.

Your Commission is unable to accept the suggestion that a Fuel Controller or a Fuel Commission be appointed to regulate and govern the coal trade. The main function of such a Commission in the minds of its sponsors is clearly the fixing of prices and dealer's margins and the imposition of penalties on "price-cutters."

The difficulties of such a task are too easily overlooked. It will be generally agreed that a "fair price" for a commodity such as coal bears a close relationship to its costs. But no two importers have the same costs, and no two dealers have the same costs. Costs, moreover, vary from place to place and from time to time. What may appear to be a fair price or a fair margin to one importer or dealer at a given time and place may be quite inappropriate to another dealer, or at a later time, or at another place. If any importer or any dealer feels that he can safely sell at lower prices than those prevailing, he should be free to do so. This is especially true in a trade where conditions are in a state of flux, where many important items of cost change considerably from month to month and from year to year, and where new methods of doing business are being introduced.

It is said that many coal dealers have gone bankrupt or are faced with bankruptcy. Your Commission was given no evidence to show that the commercial mortality among coal dealers is any higher than in other lines of trade. It is true that dealers with large capital investments designed to handle American coal may find themselves faced with relatively heavy capital losses; but such unanticipated obsolescence is not peculiar to the coal trade.

The competitive system has its abuses and its shortcomings, but the remedies for such abuses should not lie in the delegation of wide powers of regulation to a small body of men who inevitably come under the influence of the organized members of the particular trade. Experience elsewhere with "codes," "rationalization" and "industrial self-government" is not such as to commend their uncritical adoption here.

SECTION VII

CONCLUSIONS AND RECOMMENDATIONS

After a careful study of all the evidence the following are the conclusions of your Commission:—

1. Anthracite coal, in spite of the vicissitudes of the trade, is still the most important fuel for domestic heating in the provinces of Ontario and Quebec. In Quebec it comprises about 70 per cent of the solid fuels sold for domestic heating, and in Ontario between 45 and 50 per cent. The annual requirements of the Canadian market are about 3,500,000 short tons.

2. There are six sources of supply of anthracite available to Canada: The United States; Great Britain; Russia; Germany; Indo-China; Belgium. Any one of the first three possesses the necessary quantities to supply the whole of Canada's needs. As competitors they can offer abundant supplies. Although no one of the remaining countries could supply all our needs, they constitute important competitive factors in the Canadian market. There has been an important shift in the relative importance of these sources of supply in recent years. In 1928, 85.8 per cent came from the United States and 14.1 per cent from Great Britain. In 1936 the percentages were: United States 47.3, Great Britain 37.4, and other countries 15.3.

3. In all these countries export prices are centrally controlled, with the exception that in the United States there are a few independent producers outside the Anthracite Institute.

4. American anthracite is available without restriction to all responsible dealers. The fact that importations are mainly by rail in car lots gives the small responsible dealer direct access to the sources of supply.

5. Of the Welsh production, 80 per cent of the capacity is controlled by one company, Amalgamated Anthracite Collieries; and about one-half the remaining capacity is controlled, so far as the Canadian market is concerned, by another company, T. T. Pascoe Company. These two companies work in close co-operation, at least in respect to the export trade to Canada. Certain other producers and coal brokers have limited quantities of Welsh anthracite available for the Canadian market.

6. Scotch anthracite is sold in Canada through a company owned and controlled by an organization of the Scottish producers.

7. German anthracite exports are controlled by the German Coal Cartel. The facts indicate that up to the end of 1935, T. T. Pascoe Company had some sort of exclusive control over the sales of German coal to Canada. In 1936, however, German coal was sold freely in the Canadian market.

8. The other sources of anthracite are of relatively minor importance, though Russian coal may become an important factor in the market in the near future.

9. The dominant anthracite importing organization in Canada is the Webster group. In Quebec city since 1934 it has had a complete monopoly. In Montreal, during the years 1933-34-35 it controlled on the average 74 per

cent of the Welsh imports and 58 per cent of all imports from overseas. In Toronto during the same period it controlled 40 per cent of the Welsh imports.

10. Generally speaking the Canadian consumer prefers to use Welsh or Scotch anthracite to importations from other countries. This accounts for the fact that all wholesale dealers have considered it necessary to secure supplies from one or both of these sources. As a consequence a keen contest has been going on between importers to secure a share of the Welsh supply, the Scotch Collieries having their own agency in Canada.

11. The introduction of the blower furnace, that is a forced draft furnace with a fixed grate, has made necessary a small size anthracite with a low ash fusing point. Welsh anthracite has until recently been the principal available fuel of this special type. The demand for it increased rapidly as the use of the blower type of furnace increased. Hence the scramble to secure control of the sources of supply as neither Scotch nor United States anthracite, the chief competing fuels but with high fusion point, were suitable.

12. During 1933-34 the combined companies of the Webster group (The Canadian Import Company, The British Coal Corporation, the F. P. Weaver Coal Company, and The Hartt and Adair Coal Company), because of special arrangements with the two major sources of supply in Wales (The Amalgamated Anthracite Collieries and the T. T. Pascoe Company), sources which control between 80 and 90 per cent of the Welsh anthracite suitable for the Canadian market, had almost complete monopoly of Welsh anthracite in the Montreal district, and by special arrangement with the T. T. Pascoe Company of German anthracite (also a low fusion point coal) as well. During the years mentioned the group imported on an average 80 per cent of all Welsh anthracite for the Montreal market. Scotch, Welsh and United States anthracite competed on equal terms for the non-blower market.

13. In 1935 this control was somewhat relaxed, when one independent company secured coal from T. T. Pascoe Company; and it was still further relaxed in 1936, when German coal was freely offered in Canada at reduced prices, and in addition Belgian and Indo-China anthracite, both low ash fusion point coals, came on the market in considerable volume.

14. The purchase by Senator Webster of the interest of R. G. Lane in the firm of Lane and Robitaille, through Clase Securities, of London, England, gave the Canadian Import Company, the parent company of the Webster group, a complete monopoly of Welsh anthracite in Quebec city. This control was greatly enhanced by the fact that the only wharf space in the inner harbour and the only special machinery for handling coal were also in the possession of the Canadian Import Company. Since 1933 no overseas anthracite has been sold in Quebec except that imported by the Canadian Import Company.

15. With regard to the group of companies described above as the Webster Group, your Commission finds that while separate management has to a considerable extent been maintained similar to that maintained by separate departments in many large commercial concerns, they nevertheless constitute a single commercial unit, and that when in 1932 Senator Webster purchased the control of the F. P. Weaver Coal Company, through Charles Barnett, and in 1934 of The Hartt and Adair Coal Company, through the agency of Sir Alfred Cope, Senator Webster intended that they should become constituent parts of his whole organization. That they have so operated from the beginning there can be no doubt.

16. The joint operation of these companies was intended to control, and in fact did effectively control through their affiliations with the Amalgamated Anthracite Collieries and the T. T. Pascoe Company both the importation and sale of Welsh anthracite in Montreal and, in a lesser degree, in Toronto. During the years 1933-34-35 they secured control of the importation of German anthracite as well. The claim made during the inquiry that in the years mentioned above Welsh anthracite could be purchased freely by any competent importer from independent sources is not borne out by the evidence submitted.

17. The claim repeatedly made during the inquiry that Senator Webster has resigned from the companies designated in this Report as the Webster Companies, and therefore takes no responsibility for their administration, a claim repeated in the factum of his Counsel, makes the following comments necessary:—

- (a) Senator Webster resigned from all offices in the various companies in September, 1935. The arrangements involved in all the transactions mentioned above were in full operation before that date, and while he was still in active control.
- (b) It was Senator Webster who personally completed the agreements. The evidence shows that he did not inform either the executive officers of his own companies or the officers in charge of the other companies concerned. Whatever responsibility there is in connection with these matters he must bear personally. The officers of his companies, except Mr. Stobo, were not aware of them until the transactions were completed.
- (c) While it is quite admissible that since September, 1935, Senator Webster may not be familiar with all the details of the operation of his companies, nevertheless it seems to your Commission absolutely certain that since the investments in these companies are wholly investments made by him in his own interest and in the interest of his immediate family, that he must be cognizant of and have the final authority in all major transactions.

18. With regard to export prices in Wales it is necessary to state that your Commission has not had access to production costs. Access, however, has been had to published information which shows that export prices are not unfair when compared with prices in the home market. Further, the contract between the British Coal Corporation and the Amalgamated Collieries stipulates that prices shall not be higher than the average f.o.b. price the Amalgamated is obtaining on the Swansea market.

19. Wholesale prices of domestic sizes have shown a pronounced downward trend during the past seven years. Wholesale prices of the small sizes have shown a slight upward trend. This difference in trend is due to changes in the demand for the two sizes.

20. Importers' gross margins were increasing from 1930 to 1933, and have declined very greatly since 1933. Your Commission believes that this change was due in large measure to the proceedings under the Combines Investigation Act in 1933.

21. Retailers' gross margins have also generally declined since 1930. In the City of Ottawa, however, the retailer's margins are much higher than in Quebec, Montreal or Toronto. In Quebec City, where the Canadian Import

Company has a complete monopoly of the wholesale trade, the wholesale price is \$1 higher than in Montreal, while the margin for the retail dealer is exceedingly narrow.

22. No evidence was found as to price fixing arrangements. A uniform pattern for fixing wholesale and retail prices has developed in all the cities where the inquiry had sittings, namely, the large importer or dealer sets his price and nearly everyone follows suit. This apparently has become a habit from long usage. The habit seems to carry with it the implication that anyone who breaks the price is unethical.

23. The quality of anthracite varies very considerably. Evidence was found of some mixing of dry steam coal with anthracite, of a considerable amount of mixing of Welsh and German anthracite, and of selling dry steam either as anthracite or under special names that were likely to mislead the purchaser.

24. Your Commission believes that there is no justification for many of the special commissions being paid on Welsh anthracite coal sold in Canada.

25. The situation with respect to wharf and dock space in Montreal, Toronto, Halifax, and Saint John provides no ground for complaint. In Quebec and in Chicoutimi, however, the Canadian Import Company has a monopoly of space and equipment for the discharging and handling of overseas anthracite.

RECOMMENDATIONS

The following are the recommendations of your Commission:--

1. At the present moment in so far as the fixing of export prices of anthracite in the countries of origin permit, there is freedom in competition in the importation of anthracite coal. *Your Commission recommends that every effort should be made to maintain that position.* Some of the competition comes from new sources of supply and through new exporting agencies, the permanence of which have not yet been demonstrated. In seeking to maintain a wholesome competitive market it should be recognized in so far as Canada's needs are concerned anthracite with a low ash fusion point is in a special position, and that in this field neither Scotch nor United States anthracite is competitive. Unless greater freedom of purchase of this particular type of coal from Wales is made available to importers other than the Webster Group, it is very important that the channels of trade with other countries producing low ash fusion point anthracite should be kept open. It is of equal importance that importation should come directly from the country of origin and not as in the past through agencies already controlling competitive supplies in another country.

2. To this end the continued enforcement of the Combines Investigation Act is recommended. Your Commission believes that under the existing conditions of production and trade the surest way to protect the consumer is to maintain open competition.

3. It is recommended that encouragement should be given to every effort to establish co-operative organizations now recognized in many countries. Without question great advantages would accrue to the less favoured class of citizen in Montreal if a scheme along the lines suggested by Alderman Biggar of Montreal was put into operation. In this connection attention is called to the fact that there are joint stock companies using the name "co-operative" which are not in any sense co-operative institutions and, in the opinion of your Commission, they should not be permitted to use the name.

4. It is recommended that the work done under the Combines Investigation Act in maintaining competition and preventing price fixing be supplemented by a more vigorous use on the part of the municipalities of their power to eliminate frauds and other abuses. The licensing of dealers, the prevention of short-weighting, the suppressing of fraudulent advertising, the requirement of an adequate and correct description of the coal on delivery slips, are within their authority. This authority vigorously exercised on the lines suggested above would go a long way toward removing many of the consumer's complaints.

5. It is recommended that all anthracite coal entering Canada be classified as follows:—

- (a) That anthracite coal should be sold in Canada under its own name, i.e., Welsh anthracite should be sold as Welsh, American as American, German as German, Russian as Russian, etc.;
- (b) That if any of these coals are mixed, the mixture should be sold in Canada as mixed coal under the name of the mixture, viz., Welsh and German, Welsh and Russian, etc.;
- (c) That the fuel ratio of coals classified as anthracite for customs purposes based on their condition as received at the ports of entry, as distinct from those semi-anthracites referred to in (d) below, also other coals including those mixed with non-anthracite, for sale in Canada, shall not be less than 8.0 and shall not possess caking quality;
- (d) That all other coals, heretofore graded as anthracite or semi-anthracite, having a ratio of fixed carbon to volatile of not less than 6 and without caking quality, shall be classed as semi-anthracite coal and so sold on the Canadian market;
- (e) That Welsh anthracite be sold in Canada as Grade A or Grade B, the former complying with the above specifications but being the coal known in Wales as "Big Vein" anthracite, the latter also complying with the above specifications but being the coal known in Wales as "Red Vein" anthracite, and that if these two coals are sold in Canada as a mixture the proportion of each should be stated;

(NOTE: The distinction involved in this classification is not difficult as it can be determined by the coal being invoiced by the mine in Wales from which it comes. It is a classification known to every importer of Welsh coal. The difference between the Red Vein and the Big Vein is not so much a matter of the content in B.T.U's, as of the physical quality of the coal, the Red Vein being much more friable and hence subject to greater degradation.)

- (f) That in all sales slips and invoices and in all advertisements the coal be described in accordance with the specifications suggested above.

6. It is recommended that continuous and systematic analyses of anthracites entering Canada be made. Your Commission was surprised to find so little information available as to the quality of imported anthracite. The right to sample and analyze for public use should be given to persons responsible for the work of classification suggested above. The costs of such systematic analyses of imported anthracite coal and of the work of classification should be covered by a special levy of 2 cents a ton on all imported anthracite.

7. Your Commission considers that a fair discussion of the major problems associated with the importation and distribution of anthracite coal in Canada

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will be found in the foregoing pages. At the end of the discussion of each phase of the subject studied will be found a statement of the conclusion arrived at, where such formal statement appeared necessary. A brief résumé of these conclusions is set forth in the first part of this section (Section VII). The special recommendations refer to matters of immediate significance. Your Commission is of the opinion that if co-ordinated action is taken along the lines suggested, many of the abuses complained of will be promptly removed.

All of which is respectfully submitted.

H. M. TORY,
Commissioner.

OTTAWA, February 3, 1937.