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# The Root-Cause of the Coal Trouble

BY

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# The Root-Cause of the Coal Trouble

IT is becoming, unhappily, only too clear that no real or lasting agreement between the miners and the mineowners is probable. Any resumption of work will be due to the exhaustion of those who resume. The sense of injustice will remain, and the co-operation between employers and employed—so essential to prosperity—will suffer in consequence.

It is therefore all the more important to get to the root of the trouble. Otherwise, the sullen acquiescence of the workers in terms which they consider unjust may lead to still greater evils in an industry which is essential to the industrial progress and prosperity of our country.

The mineowners are faced with the problem of price. Other countries cannot afford to pay prices which will cover the present costs of production with a margin of profit. Consequently, our export trade has declined and—owing to the stoppage—has for the present altogether ceased.

Naturally the mineowners searched anxiously for means to reduce the cost of production, in order that lower prices might attract foreign purchasers. Naturally, also, they directed their attention in the first instance to the largest item of expense—namely, wages. And when the Royal Commission was set up, the evidence they produced for its information was mainly directed to the same item. Very little information was given as to other items in the cost of production, and no detailed examination of these other items appears to have been attempted. The Royal Commission evidently assumed that overhead charges imposed upon the industry under powers conferred by statute were outside the scope of immediate remedies. But surely if charges imposed by Act of Parliament should prove greater than the industry can bear, the fact should be brought to the notice of Parliament. The Royal Commission have preferred to concentrate on a policy of reduced wages followed by reorganisation. It would have been better to examine all possible methods of economising cost, throwing upon Parliament the responsibliity for dealing with economies which required legislative action. In the matter of reorganisation, the Commissioners did recommend certain legislation ; and this makes it the more difficult to understand why they did not at least point out the fact that certain charges, burdensome to the industry, could only be modified by amendments of the law.

The reorganisation proposals of the Commission are aimed at securing ultimate economies in working, but in the first instance they will involve some capital outlay. And it is altogether doubtful whether, even after three or four years, they will suffice to restore wages to the level of June, 1925. The miners have therefore good reason to fear that the bulk of the loss is to fall upon their shoulders. And it is this fear which almost compels them to resist all proposals for increase of hours or reduction of wages. Ought not such proposals to be accompanied by an undertaking that any alterations in hours or wages will be reviewed, within a specified period, with the definite object of restoring, as far as possible, the conditions of employment prevailing prior to the stoppage ?

It is impossible to investigate in detail the costs of production other than wages and overhead charges, because the necessary information is lacking But a few figures were placed before the Royal Commission, and some before the MacMillan Court of Inquiry, relating to such items as salaries and workmen's compensation. These invariably relate to the whole of the mines in Great Britain : they are averages, and are expressed either as percentages or at per ton of coal commercially disposable. Taking them as they stand, the figures indicate, *inter alia*, that between 1913 and 1923-4—

| | Per cent. |
|---|---|
| The total cost of production per ton increased .. .. .. .. | 101.49 |
| Wages increased .. .. .. | 96.92 |
| Salaries of managers, clerical and administrative staff increased .. | 172.14 |
| Workmen's compensation increased.. | 200.8 |



The percentage of increase in wages was thus less than that in the total cost of production, while the percentage increase in salaries was very much greater. No doubt the item of salaries is relatively small : but the figures seem to indicate a possibility of economy. The enormous increase in the cost of workmen's compensation during eleven recent years is in striking contrast to the Commissioners' statement that the death rate from accidents has been halved during the last fifty years. During eleven recent years, the royalty figures indicate that the total output only increased by 6 per cent., while the cost of workmen's compensation increased 200 per cent. These figures would appear to indicate that accidents in the latest year (1924) were three times as costly—if not three times as numerous—as in 1913. Without further explanation, they certainly reduce the satisfaction due to the fact that in the last fifty years the death rate from accidents has been halved, and it is evident that more has to be done to protect the men who work in the coal-mines from the serious dangers that beset them.

The overhead charges (viz., rent, royalties, wayleaves, rates and taxes) produce no profit. They represent just so much extra burden for the industry to carry.

A mining lease usually provides for two kinds of payment by the lessee—rent and royalty. The rent is generally the highest which the lessee can afford to pay for permission to sink a shaft, mine the coal and occupy the necessary amount of surface land. This rent is payable whether the coal is worked at a profit or not, and even if it is not worked at all. Perhaps for this reason it is usually called a " dead rent." The royalty is a payment of a certain sum (usually 6d.) for every ton of coal brought to bank. Such a lease usually contains other provisions for the protection of the surface land. If subsidence occurs traceable to the working of the coal-mine, the damage must be made good, or compensated, by the lessee. It will thus be seen that the lessee mine-owner runs all the risks. The lessor landowner runs no risk, takes no part in the work of the undertaking, need invest nothing in it. Yet he is the one person who can draw a definite, and usually well-secured, income from it. Moreover, if the mine is regularly worked, it attracts population, and the value of the freeholder's adjacent land is much enhanced in consequence, while the local rates on the mine fall upon the mineowner.

Wayleaves are classified with royalties for purposes of taxation, and the two classes of payment have similar effects upon mining undertakings—they are simply unremunerative burdens. But while a royalty is, in theory, a payment for the coal, a wayleave is only paid for permission to carry the coal through another owner's land. As the coal cannot be brought to bank without that permission, the lessee is almost at the mercy of the alien owner. The wayleaves charged in such cases are sometimes exorbitant.

Local rates have an important bearing on the prosperity of every coal-mine. For coal-mines—unlike most other properties—are not rated on the basis of their net annual value. Legal decisions in the past have led to a method of assessment by which the net receipts of the undertaking in a typical year are ascertained and then divided by a kind of rule of thumb between (*a*) the landlord's share and (*b*) the tenant's share—the former being as a rule much the larger. It is this larger figure upon which rates are assessed—a basis distinctly higher than the net annual value of the occupation of the mine. This artificial method of assessment is also applied to railways, docks, canals, tramways, and to gas, water and electricity undertakings. It does not necessarily imply that no rates are payable when no profits are made. For in arriving at a figure of "net receipts" for rating purposes, the only deductions allowed from "gross receipts" are for working expenses and rates. The figure thus obtained is called "gross estimated rental," and from that the average annual cost of maintenance is deducted in order to reach the Rateable Value, which is the basis of charge. The calculations thus differ in some respects from those made to ascertain profits.



But a mine which shows no "net receipts" (in the rating sense) escapes local rates altogether and, if kept idle, no coal mine can be rated at all except, perhaps, on the pumping machinery used to protect it from inundation. Moreover, as unused land cannot be charged with rates, the owner of coal seams can without risk refuse to allow them to be worked, if he wishes to prevent interference with the amenities of his residential estate, or if he thinks he can obtain better terms by waiting. He is encouraged to hold coal out of use because that course involves neither loss nor burden to himself.

The entire rating system is prejudicial to productive enterprises of all kinds, for it lays the heaviest burdens on the best-managed concerns, and allows idleness to escape scot-free. In this respect the coal industry is one of the greatest sufferers. During the last twelve years (the Commission was informed by the Mining Association) the item for Local Rates paid had increased from 1.86d. to 4.63d. *per ton*, i.e., by 149 per cent. In the same period the total rates raised in England and Wales increased from £71,276,000 to £147,500,000, or 107 per cent. Although not strictly comparable, these figures clearly indicate that coal-mines are much more heavily rated than the average of all other property. Instead of being 42 per cent. in excess (149-107) it may well be that the rate-burden on coal-mines is nearly double that upon property assessed on its true net annual value. The difference is due partly to the higher basis of assessment in vogue, and partly to the fact that in mining areas the rate in the pound is generally well above the average level. There is an ample margin for economy here; but it involves an amendment of the rating law, and an extension of rating areas.

The rating system, moreover, injures the mining industry not alone in its direct application. The price of all rail-borne coal is increased by the unduly heavy burden of rates similarly levied on railways, since their freight charges are necessarily increased in order to meet it.

The rating system thus adds twice to the selling price of coal—once in the over-rating of the mines, and a second time in the over-rating of the railways.

Both royalties and local rates assist the colliery companies in trade disputes. When a stoppage occurs the whole earnings of the miner cease. There is seldom any opportunity of finding other employment in the neighbourhood of the mining village; and he would not be allowed to make use of unused land, for owners stand together in trade disputes. In any event they do not desire to let small plots of land to out-of-work miners. The power of resistance possessed by the miners is thus seriously limited. In the last resort, they must be overcome by starvation. Is that a fate to which any fellow-countryman should be condemned? Is the reduction to starvation a weapon which any generous man would employ? But associations and committees, alas, often do things that individuals would be ashamed to do.

The colliery companies, on the other hand, are enabled by our land and rating laws, to make important savings to mitigate the cessation of profits caused by a stoppage. There are no royalties to pay when no coal is brought to bank—no rates to pay while the mine is not working. And the savings from past profits, speaking broadly, usually enable them to carry on much longer than the miner can do. One of the greatest difficulties in settling trade disputes, is this fact that the contending parties do not meet on equal terms.

As to taxes. Income Tax, Super Tax and Death Duties are charged upon coal-mines on exactly the same basis as that applied to other incomes and other property. Consequently, they are not—as rates are—a special handicap to the industry, though no doubt they constitute a heavy burden upon it. But one tax—the Mineral Rights Duty of one shilling in the pound—is chargeable on the rental value of all rights to work minerals and of all mineral wayleaves. Royalties form the bulk of this value. So that the duty is chargeable in the main according to the tonnage of coal brought to bank. The greater the output the heavier the duty: but a stoppage



necessarily reduces the duty which can be charged. The effect of this duty is similar to that of the local rates. It allows the unused mine to escape payment, and lays the heaviest burden on the largest output. It is, however, levied on the royalty owner, and does not affect the profits of the mineowner.

I may be told that, even if royalties and local rates were entirely abolished, the saving would only amount to about 11d. per ton, and that severe economy in salaries could not bring it up to 1s. per ton. That may be perfectly true as an arithmetical proposition: but it takes no account of the depressing effect these charges, as at present levied, have had in the past—and must continue to have—upon the whole coal-mining industry. The Commission tells us that the average age of the larger mines is 51 years, and that one-third of our mines are under 30 years old. It follows, therefore, that two-thirds of them are over 30 years old. This means that in two-thirds of the mines it is a serious risk to incur capital expenditure in adopting the latest improved methods of working, for the outlay could hardly be replaced, with interest, in the limited period which remains for working. This is one of the main reasons why more than half of our colliery undertakings, now producing coal at a loss, are practically unable to retrieve the position.

But the Report also says that, according to Professor Jevons' estimate, there were still in Great Britain, on the 31st December, 1925, no less than 194,355 million tons of coal lying intact, at depths of less than 4,000 feet, and therefore capable of being worked by present methods. Why, then, are not the unprofitable old mines abandoned as speedily as possible, and capital profitably employed in opening fresh mines in which the best methods of working can be employed from the start? Such a step would increase output and reduce unemployment at the same time. What stands in the way? Only the legal rights and powers of the royalty owner! If the mine is not worked, the colliery company must still pay the dead rent and remain liable for subsidence damage, for this may occur after mining operations have ceased. But if there were no power to charge dead rent and royalties, can it be doubted that capital would naturally flow into new colliery undertakings with every prospect of success, instead of remaining tied to out-of-date undertakings, many of which are probably incapable of earning a profit?

This being so, it is most important to consider the nature of the legal rights and powers of the royalty owners, and how they arose. Of all forms of land monopoly, the right to own minerals is the most extreme and the most unjustifiable. If a landowner finds a pocket-book with valuable contents, his first desire will be—with the instincts of a gentleman—to discover the rightful owner and restore to him his property. But if the same landowner finds a valuable seam of coal below his land, his gentlemanly instincts are over-ridden by legal decisions. He forgets that the coal has been produced by the operations of nature for the benefit of all generations, and he takes steps—as by law allowed—to secure to himself as much of the value of that coal as he can without risk. And at once he becomes the "Old man of the Sea," firmly fixed upon the back of "Sindbad," the Coal Industry. Here is the greatest of the difficulties under which that industry labours, and the chief cause of all its disputes and stoppages.

Whether one believes in a Creator or not, the physical facts show that this earth was intended for the use and sustenance of all generations. Every human being spends a comparatively brief period here, and then departs. The earth was here thousands of years before him and will probably remain for thousands of years after. What moral right can any such being have to assert a claim to *own* any part of the earth? Yet we allow such beings not only to own it during their lives, but to prescribe who is to own it after their death. The result obviously is to deprive future generations of all rights to use land, except in so far as they are permitted, and can pay for permission, to do so. On the other hand it sets up a limited, privileged class, able to draw income from the rest of the community by requiring payment for



permission to use the bounty of Nature. The Commissioners have shrunk from grappling with this fundamental issue. Yet they recognise "that the system of private "ownership of this great natural resource is open to "grave objection." They consider "that it would have "been very fortunate for the country if, three and a half "centuries ago, when the judges decided that the "minerals, other than gold and silver, belonged to the "surface-owner, the legislature had reversed that de-"cision, and reserved the coal to the State." And they proceed to recommend that the royalty owners should be bought out!

It is difficult to imagine more inadequate reasons for preferring legal figments to the eternal law of justice. It is not the people of 350 years ago, but the coal industry of to-day, which is suffering from the injustice. Had the whole population of Britain in the sixteenth century agreed—as they certainly did not—to the decision of the judges 350 years ago, they had no equitable right to give up the rights of unborn generations. When it comes to a proposal that the present generation—whose just rights have been filched from them by a legal fiction—should compensate the privileged few who are profiting by that injustice, the argument becomes farcical.

It becomes even more farcical, and more unjust, when we recall that a Parliament of landowners in 1660 compelled Charles II. to give up all Crown revenues previously drawn from land as the price of his restoration to the throne. This was the climax of an age-long struggle between the Crown and the barons. At the same time, they compelled the trade and industry of the country to compensate the monarch by means of duties levied on commerce for that purpose. Their successors have been enjoying, for 250 years and more, the ever-increasing advantages which are the direct result of that infamous transaction. If any compensation is to be paid on its reversal, let it come from those who have profited—not from those who are still suffering—from its effects. It is the producing and trading community which has, ever since 1660, been paying compensation to the Crown for the loss of its income then engineered by the barons. Is that community to be saddled with a *second* burden of compensation in order to restore to the nation the land which was forcibly appropriated by the barons in 1660? The landowners, like their predecessors the barons, appear to believe that the nation can again be persuaded to play at the game of "Heads I win, and tails you lose." If a Bill should be introduced to buy out the royalty owners, they will speedily discover their mistake. The Report of the Royal Commission admits that the State purchase of royalties and ungotten coal would involve some loss to the taxpayers, even if the State continued to receive the rents and royalties. It is only recommended as a means of obtaining control and removing a grievance. But these objects can be secured without increasing the National Debt by £100,000,000. Of course the purchase would be a great benefit to the industry, if rents and royalties were abolished. But that would be a permanent continuation of the subsidy, which the Commission whole-heartedly condemns. If the rent and royalties continue payable, there will be no saving to the industry. But there is no need to proceed by way of purchase and compensation, as I will now endeavour to show.

Land has no value of itself. Its value is entirely due to the presence, the activities and the needs of the human race, for whose benefit the whole earth was provided by a wise and beneficent Creator. The larger the population, the greater its activities and the more rapid its advance in civilisation, the greater becomes the value of the land in the country inhabited by that population. It is a value which grows with social growth, and is thereby clearly marked out as providing a common fund to meet the common expenses of the nation. It is quite unnecessary to expel present owners or to embark upon the endless task of discovering all persons who possess pieces of parchment purporting to entitle them to own certain parcels of land. All that is necessary is a simple and comprehensive alteration in the present methods of taxation—both national and local.



I am no advocate for rash, sudden or violent changes. The dislocation caused by such changes is quite likely to disguise their ultimate effects, however beneficial they may be. But the imposition of a charge of, say, 2d. in the pound upon the capital unimproved value of land, accompanied by a corresponding relief of the tax-burdens now borne by the values produced by Labour and Capital, is quite sufficient to set the ball rolling. When the voters discovered that the change benefitted all users of land, and reduced the incomes of only those who did not use it, while it brought hundreds of thousands of unused acres into the market, I entertain no doubt as to the future policy for which the majority of votes would be cast. The only reason why that policy has not been adopted long ago is that the simple truth about land has been so overlaid and obscured by the laws enacted by Parliaments of landowners in the past, that we have come to regard private property in land—the gift of the Creator—as on a par with private property produced by Labour and Capital, when in truth is it fundamentally different—is indeed a wrongful interference with the only true right of property, namely, the right of a man to himself and to the results of his own exertions.

I cannot now deal with all the beneficial effects of land value taxation, but it is necessary to explain what it would do for the coal industry.

The very first levy at the rate of 2d. in the pound on the capital unimproved value of coal-bearing land would at once bring into the market all such land where the coal seams could be worked with a reasonable expectation of profit. For no owner could afford to pay the tax merely in order to keep the coal unused. Colliery companies, instead of going cap-in-hand to the landowner, could then pick and choose among many coalfields: the competition would be between the landowners, and those who were willing to accept the lowest terms would be most successful in disposing of their coal seams. Under such conditions, is it likely that colliery companies would submit to such terms as are now embodied in mining leases? The owners would probably be anxious to sell outright (in view of probable future increases of taxation), thus giving the colliery company a free hand and full control. For the same reason, no landowner would in future be able to exact exorbitant terms for wayleaves. If he tried to, he might be left with the land on his hands, coupled with a liability for tax on its value for the passage of coal. And royalties would disappear as soon as all the present mining leases expired: they might even come to an earlier end by arrangement.

It would take years, of course, to complete the transfer of tax-burdens from rateable value to land value. But when that transfer is completed, what will be its effect upon the industry? By that time, the production of coal in usable form will be free from all charges except those necessarily incurred in the working of the mines. Local rates will be levied on land value only, and that part of land value due to the presence of coal will decrease as the coal is worked out, though at the same time, the surface value will increase all round the mine through the social activities of which the mine is the centre. But the whole burden of local rates will fall upon the owner of the land—none of it upon the mine or its working, upon the miners' cottages or any other buildings or improvements.

The colliery companies, then able to secure the freehold of their mining properties, would have to pay the rates on land value: but on the other hand they would be relieved of the far heavier burden now laid upon the profits of the mines, and the change would be to their advantage in other ways, as I have pointed out. The only man who would be worse off would be the freeholder, who takes no part in production, but receives payment for permitting others to produce.

Every one of the changes which would result from the taxation of land values would be a benefit to mine-owners and miners alike. More capital would be attracted to the industry and more readily worked coal would be made available. The whole business of coal-mining would be freed from the rate-burden, and would be



further stimulated by the fact that all coal now having a value, but not being worked, would be rated according to that value until it was worked out. All this would tend to increase output, lessen costs of production, reduce the selling price of coal, and abolish unemployment.

Under these conditions the colliery companies would have no difficulty in paying wages which should represent the fair value of the work, and miners would obtain the full benefit of their exertions. It would then be impossible to crush them by the fear of starvation. For the taxation of land values would bring *all* unused land into the market, and it would then be readily obtainable on fair terms by any who desired to use it. Any man could then, if need be, support himself and his family by using land for any purpose he chose; and no miner or any other worker need starve under such conditions. No man need then work for an employer unless he chose. Then, for the first time for generations, employer and employed would meet on equal terms, on which alone the co-operation so necessary to industrial prosperity can be fully obtained.

These results would, as I have already said, take some time to arrive at complete fruition. But, just as the first levy on land value will bring all unused—but usable—land into the market, so the first relief of industry from rates and royalties will give new impetus to business and enterprise; and as the relief grows, so will the opportunities of Labour and Capital improve, until at length both are freed from the grip of land monopoly. The "Old Man of the Sea" will be thrown off the shoulders of Industry, and the day of complete Liberty will dawn.