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Copper ountain, B.C.
Decemb 20, 1943.

Copy for Dr. Walker.

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IMPORTANT - - Please Read.

To our Employees:

December 23/43.

Each and every one of our employees is entitled to know the facts and problems related to the situations now facing the Company, and to receive those facts before any unnecessary hardship arising out of wild rumours is placed either upon our employees, the communities in which they live, or upon the Company itself.

As a direct result of wartime conditions over a period of four years and four months, and obviously beyond our control, the Company is now faced with the following situations.

Situation No. 1: The manpower shortage situation (beginning in 1941) coupled with the demands by Canada and the United Nations in 1942 and 1943 for the maximum copper production have prevented the Company from doing sufficeint development work at Copper Mountain to insure continued operations. The average monthly development work (raising and drifting) during 1939 amounted to 2,180 feet; in 1940 and average of 2,102 feet; in 1941 an average of only 1,691 feet; in 1942 only 1,180 feet. In the third quarter of 1943 the monthly average was 915 feet. October fell to 704 feet and November's total was only 552 feet.

The number of underground machine shifts worked declined from a monthly average over a three-year period (1939-40-41) of 1,443 to an average for the first 10 months of 1943 of 900, delcining still further in November to 647. The above facts should show conclusively the seriousness of the manpower situation.

In spite of this manpower shortage, ore shipments in 1942 totalled 1,705,000 tons, as compared with a yearly average for 1939-40-41 of 1,622,000 tons. Shipments for 1943 will approximate 1,370,000 tons, or about 85 per cent of the 1939-40-41 average, with the average for 1942 and 1943 being almost 95 per cent of the previous three-year average.

Situation No.2: The Company's entire production of copper concentrates has been sold under contract to the Wartime Metals Corporation of Canada since Nov. 1st, 1942. This contract expires December 31st, 1943. Every effort has been made to have this contract extended or renewed, but without success. Attempts to obtain some form of assistance from the Canadian Government likewise have been ineffective. This situation arises from the conviction among government officials in Canada and in the United States that sufficient stocks of copper are available for the war effort, and to therefore warrant the cancellation of existing contracts, and the drastic curtailment of future co per purchases. The United States is the only available outlet for our copper, and there is a duty of 4 cents per pound imposed on all foreign-produced copper sold for use in that country.

Situation No. 3: The present price for foreign copper in the United States is 11.7 cents per pound. Deducting the duty of 4 cents per pound leaves to the foreign producer only 7.7 cents per pound. The average price paid for Granby's copper production for the first eleven months of 1943 was 16.3 cents per pound, which figure included a small profit of about six tenths of one cent per pound. In other words, our costs for the past eleven months have averaged about 15.7 cents per pound and we are now faced with the situation of selling future copper production at 7.7 cents per pound.

A clearer picture of this situation may be gained by a few additional facts. Costs beyond the control of the Company and covering freight on concentrates, smelting, converting, refining and marketing amount to 4 cents per pound of copper. The cost of freight on ore to the Allenby mill now averages 1.4 cents per pound of copper, so that the total cost of freight on the ore, and the costs beyond the plant against the concentrates amount to 5.4 cents per pound of copper, which when deducted from a net price of 7.7 cents leaves 2.3 cents per pound of copper (about 36 cents per ton of ore) to cover all operating and plant expenses. These remaining expenses(all payable in cash) for the last eleven months have averaged as follows:-

Average Costs Jan. to Nov. 1943	Per Ton of Ore
Mining	$ .79
Milling	.61
Townsite and Stores	.04
Overhead	.03
Adminstrative	.03
Insurance, School & Property Taxes	.12
Mineral Taxes	.02
New York	.02
Exchange	.07
	$ 1.73

Accordingly, against an out-of-pocket expense of $1.73 we have only 36 cents returnable from the copper value. The gold and silver values recovered from the ore are barely sufficient to cover depreciation and depletion. While the answer is of course obvious, I want to emphatically say that it is not our present intention to close the plants in the immediate future, unless obliged to do so by demands of our employees, or by government regulations or authority.

<u>Company's Present Plan</u>: It is the present intention of the Company to continue its ore shipments for several months, reducing its inventories and converting them into copper, and to take a chance on selling that copper subsequently at a price above or below today's price.

With the full co-operation of our employees and any encouragement whatsoever from the Government we will probably continue to ship ore for many months to come.

We do not intend to ask the Government to grant, nor the employees to accept wage reductions. However, reductions in staff and operating crews are inevitable, but such reductions as far as circumstances will permit, will be made with a view to giving the employees as much notice as possible to assist them to obtain other employment.

In fairness to all our employees I have placed these facts before you at the earliest possible moment, but not before having fully investigated all probable solutions to our problems. Therefore, I have no hesitancy in saying quite frankly, that how long we will continue to ship ore is largely and definitely a matter of your full co-operation, and of the attitude of the Canadian Government.

Yours very truly,

"A.S. BAILLIE",

Vice-President & Gen. Manager.

~~Copy for the information of Dr. J. . Walker.~~   Δ 49-120 SW

Copper Mountain, B. C.,
January 24th, 1944.

~~Some of you~~ may wonder why I am reading what I have to say to you instead of speaking extemporaneously. I will tell you why. It is because I have been misquoted too often in the past to take a chance on not being able to prove exactly what I said.

I do not intend to burden you with a lot of dry statistics which you could not possibly remember. In my opinion, it is not the past upon which we must focus our attention but rather the future, if we are to maintain an organization that may again expand and again make a real contribution to the welfare of our communities, the Province and the Nation in both the immediate future and in the post-war period. Looking ahead, what facts do we really see with which we should be concerning ourselves.

In my opinion we should divide the future into two quite separate and distinct periods, the first covering the period between now and the end of the war and the second covering the post-war period. Unless we can survive the first period we cannot hope to cope with the second period.

Our problems, as I see them, may be briefly stated as follows:

First: Making every effort possible before calling upon outside assistance, to live within our probable income and

Second: Maintaining, as far as circumstances will permit, a substantial part of this organization.

Those two problems arise because of the following facts:

One: After January 31st any copper produced by us must be sold at a price of 11.7 cents per pound unless the Company gambles on the future price and stores its production. As the Company cannot store any appreciable quantity of concentrates this means we would have to pay all costs of production, smelting, converting and refining. These costs during the year 1943 averaged 15.4 cents per pound.

Copy made for "M" file
Feb. 1/44.
RP

Two: Our costs are being reduced. Further reduction in costs can and will be made, but the extent of such reductions will be affected by the volume of production, since the indirect expenses not proportionate to tonnage amount to roughly five cents per pound of copper.

Three: The employees and the Company should attempt to carry on operations with crews reduced to an irreducible minimum and thereby determine by actual experience the minimum cost of production. Thus, we may minimize, or entirely nullify, the need for any form of Government assistance.

It seems to me that it is unwise to seek the help of governments before we have ascertained first that such assistance is known to be absolutely necessary. I do not see how this information can be obtained without the employees and the Company alike having first exhausted every means of remaining self-supporting. I believe two or three months will be required to prove conclusively what can be accomplished along these lines.

It is highly improbable that we can retain as many of our employees as we most certainly would like to retain but we are convinced that sufficient numbers can be kept employed so as to enable us to keep our organization intact. With the present surplus of copper on this continent and the manpower shortage in the armed forces and in many industries we cannot reasonably expect any greater privilege from the National Selective Service, or from any other branch of the Canadian Government.

It seems to me that a committee making representations to the Provincial Government at this time to solicit their support should keep in mind that the problems facing this Company and the communities of Princeton, Allenby and Copper Mountain, are not unlike the problems already facing other communities and industries.

We should not be unmindful of the fact that the war is not yet over and to date very few of us have experienced anything more than some inconveniences in spite of this country having been at war for four and one half years. For some considerable period of time ahead of us, I believe the shortage of manpower will continue to place an exceptionally heavy burden upon industry to say nothing of the burden it will impose upon the armed services.

By a burden upon industry, I mean that the manpower shortage is not only forcing many industries out of existence but in some cases the gold mines have virtually reached a state of collapse and unless manpower is diverted to these mines in the immediate future their value to the country as either a source of employment or of wealth will be lost forever.

I believe we must not only co-operate between ourselves in our own communities, but we must co-operate with other communities and industries since the more industries that are forced out of existence the greater the burden upon those remaining. Similarly, the more unemployment that exists in any period the greater the burden upon those who are employed.

Let us, therefore, be broadminded enough to not insist that one local problem be solved by the Government at the expense of some other community or industry.

I suggest to this Committee that any representation made to any Government body should not be made on the claim that government assistance is absolutely necessary at this time. It would, however, be in order to ascertain what the government would be prepared to do if circumstances were to develop which would force the Company to close down completely its entire operations. Only under such conditions would it be reasonable to expect government aid.

"A. S. BAILLIE"

Vice Pres. and Gen. Mgr.

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January 24th, 1944.

Copper Mountain

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"A. S. BAILLIE"

Vice Pres. and Gen. Mgr.

For information of D~. Walker.

Submission to the Royal Commission to inquire into the demands of Mine employees affiliated with District No. 18, United Mine Workers of America, in the Provinces of Alberta and British Columbia, made on behalf of The Granby Consolidated Mining, Smelting and Power Company, Limited, by its Vice President and General Manager, Mr. A. S. Baillie.

Gentlemen:

The Granby Company operates a coal mine located about 5 miles from the town of Princeton, British Columbia. The Granby Company's principal activity is the mining and concentrating of low grade copper ore, from which is produced copper concentrates. Its entire copper production is sold to the Dominion Government's Wartime Metals Corporation under a contract expiring on December 31st, 1943. This fact is mentioned here as it has a most important bearing upon the future of not only its own coal mine, but also upon the future of the two other coal properties now operating in Princeton and the communities of Princeton, Allenby and Copper Mountains.

As the Granby Company generates all the electricity used by it as well as that used by the Princeton Tulameen Coal Company, Ltd. it acquired and commenced the development of its present coal mine early in 1937 in order to insure a steady supply of coal for its power plant at Princeton and for its steam heating plants at Allenby and Copper Mountain, B.C. Prior to the declaration by the Canadian Government of a National Coal Emergency the Company's coal production was consumed by it in its power and steam plants with the exception of an insignificant tonnage sold to its employees. Since about the middle of June 1943 the Company has endeavoured to increase its output so as to help alleviate the coal shortage in Vancouver and during that period something over 6,000 tons of lump and egg coal was shipped to the Vancouver market. The Company's average realization or price received for all shipments to Vancouver up to September 30th 1943 was $4.59 per ton before deducting commission. The remainder of its coal production and made up of inferior grades such as nut, pea and slack was all consumed by the Company in its power and steam plants.

Inasmuch as the Company has at no time operated its Colliery as a separate and distinct commercial enterprise it has never kept its books or accounts in a manner which would serve to reflect the financial results of its Colliery operation as distinguished from its principal business of producting copper. However, in order to obtain an analysis of its Colliery operation which would be comparable with the operations of commercial coal producers in either the Princeton or other areas we have had prepared by independent accountants a statement showing the costs of producting coal at the Granby Coal Mine for the third quarter of 1943. This is the only period since the Company acquired the coal mine when any appreciable tonnage of coal was sold on a commercial basis. The statement was prepared by the firm of Peat Marwick Mitchell & Co., and a copy of the statement is filed with this commission.

From this statement it will be noted that the production costs at the Granby Colliery for the third quarter of 1943 averaged $4.165 per ton of coal with no allowance included for selling expense or commission, nor for any interest upon invested capital. With a realization from the lump and egg coal sold during the quarter of $4.59 per ton and a cost of say $4.17 per ton there is left only 42 cents per ton to cover commissions, sales expense, degradation allowances and income taxes.

However, I would point out that the Granby Colliery operation must be viewed either as an operation that is independent of the Company's main undertaking, or as a branch or department of its main undertaking. In other words, we cannot get a true picture of the Granby Colliery operation by any analyses which only takes into account those factors which are favourable. To make this perfectly clear, let us first treat the Granby Colliery operation as though there were no copper operations being carried on by Granby and that its coal output would have to be disposed of in the same markets available to the other Princeton coal mines. On this basis we find that the average realization per ton of coal produced by the Granby Company during the third quarter of 1943 would have been $4.163 for all its grades (excluding slack as waste) would have been $5.062 or a net loss of 90 cents per ton. If it had been possible to have disposed of our slack during this period at the same prices paid to the other Princeton Coal Mines (which would be impossible without Granby's copper operations) the realization would have been $3.52 per ton giving a loss of 64 cents per ton. Both the 90 cent and 64 cent losses are exclusive of any allowance for selling commission, sales expense, degradation allowance or interes upon invested capital.

Had the demands now being made by District No. 18 been in effect during the third quarter of 1943 the losses mentioned above would have been increased from $.90 per ton to $2.13 and from 64 cents to $1.63 per ton. Here again, these losses are before any allowance for selling commission, sales expense, degradation allowance, or interest on invested capital. Surely the foregoing facts show conclusively how impossible it would be to operate the Granby coal mine as a commercial undertaking and independent of its major business of copper mining.

Viewing the situation from the standpoint of the Colliery being a department of the main undertaking of the Company, namely producing copper we have the following facts to consider.

All the copper produced by the Granby Company is sold under contract (until December 31, 1943) to the Wartime Metals Corporation, which in turn sells the coper to the Metals Reserve, a United States organization for whom Wartime Metals Corporation acts as agent in Canada. On November 1st the representatives of the Metals Reserve informed me that after December 31st the maximum price at which they would buy copper was 17 cents per pound. The price at which copper is being sold in the United States other than sales to Metals Reserve is around 12 cents per pound. Our costs of producing copper for the month of October 1943 averaged 18.15 cents per pound.

Faced with the ultimatum of producing copper at 17 cents per pound and with wage reates fixed at present levels the Granby Company can neither pay additional labour costs by way of increased wages, overtime and vacation allowances nor can it continue to pay the present wage rates to its Colliery employees since when the cost of the coal supplied to its power and steam plants by its own Colliery is determined on its heat value in relation to other available coal it means that the Company even at present wage levelse, is paying far more for its own coal than it would by purchasing its coal requirements from outside sources.

Our October 1943 coal production costs determined upon the basis used by Peat Marwick Mitchell & Co. for the third quarter of 1943 and adjusted to take care of the additional cost of living bonus which becomes effective November 15th and adding $1.00 per ton to cover the costs of the additional demands of District No. 18 would mean that the future cost of coal from our Colliery would be equal to $8.03 per ton as compared with our being able to purchase the same quality coal for $6.10 per ton, both prices being delivered at the Granby's power plant. Our consumption of over 6,000 tons monthly would therefore, mean a saving of the order of $12,000 per month or between .8 and 1 cent per pound reduction in the cost of copper.

I should like, however, to point out that any increase in wages granted to the Granby Colliery employees is certain to be followed by demands from the I.U.M.M. & S.W. who are the bargaining representatives of the remaining 80 or 85 per cent of our employees engaged in the production of copper. From the foregoing facts, it will be seen how impossible it would be to produce copper at 17 cents per pound with wages to all employees increased by let us say $2.00 per day. Such a wage increase would mean additional costs of between two and one half and three cents per pound of copper, and judging from past experience there would be a further increase in absenteeism which would further increase the cost of copper through reduced production.

Respectfully submitted

"A.S. BAILLIE"

ASB/PM