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# **Cornish Mining after the World War II, 1946–98: An Observation on the Final Stage of Commercial Mining**

*By*

**Norikazu Kudo**

## Abstract

The final stage of the tin mining industry in Cornwall is investigated, focusing on the market environment and the interactions between the Government and local mining interests. In particular, the tax system related to industrial subsidies is considered. Though under favourable market conditions minor recovery of Cornish mining was observed until 1985 by attracting internationally famed mining firms, the industry came to an end with the termination of public funding in the 1990s. In the Government's view this industry remained as a marginal industry until the end.

## Keywords

After the World War II, Cornwall, Tin mining, International Tin Agreement, Industrial subsidy, Taxation, Accelerated depreciation, Depletion allowance.

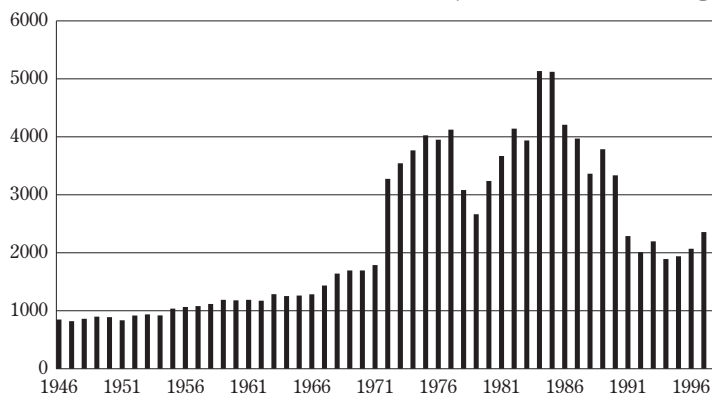
## Introduction

In March 1998 the closure of South Crofty Mine marked the end of over 2000 years of tin mining in Cornwall. But it was not a simple process of decline. In 1984 and 1985 the production of tin in Cornwall recorded over 5,000 tons in one year which was equal to that for 1913 and bigger than that for any year of the inter-war period, even though only two major mines were operating. [Figure 1] In my previous essay on Cornish mining during the World War II (the War), it was shown that, though for the first time in the history some direct assistance was given to individual mines such as East Pool and Ager, South Crofty, and Geevor mines during the War,<sup>1</sup> the discrepancy in thinking of the industry between local mining industry and the Government was not narrowed before and during the War.<sup>2</sup> The former pursued a state aid based on a long-term industrial policy, and the latter tended to take short-term measures to cope with individual problems like unemployment or wartime demands. Following the previous essay, some issues of the interaction between the local mining industry and the Government after the War will be examined here based on the information gathered from local newspapers and official documents, *e.g.*, Parliamentary Papers (BPP) and the Records of Parliamentary debates (*Hansard*), to know whether this

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<sup>1</sup>For the history of South Crofty, Buckley, for Geevor, Noall.

<sup>2</sup>Kudo, 'Cornish Mining during the WWII', p. 15.

**Figure 1 UK Tin Ore Production 1946-98 (in terms of metal, long tons)**

Note: Almost all UK tin production came from Cornwall.

Sources: For 1946-50 *Colonial Geological Surveys*, 1950-64 *Overseas Geological Surveys*, for 1965-69 Institute of Geological Sciences Overseas Division, *Statistical Summary of the Mineral Industry*, and for 1970-98 Institute of Geological Sciences, *World Mineral Statistics*.

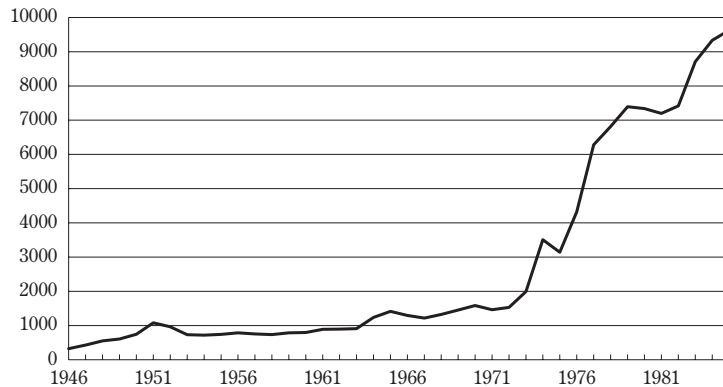
discrepancy continued to exist. What kind of assistance the local mining industry asked for to the Government and, in response, what kind of aid was given to the Cornish mining? Were there any changes of thinking among them? Those are main concerns here. Before proceeding to the investigation of them, an outline of changing market conditions will be explained first. And then a chronology of development of mining in Cornwall from the end of the War to 1998 will be considered. As for marginal mines like Cornish mines their process of development largely depended on the market conditions.<sup>3</sup> The favourable market conditions enabled Cornish mining to survive and grow for a while. But sudden collapse of the market also led to the final demise of mining. Even so, there must have been some room for policy intervention.

## 1. Overview of the market of tin

Figure 2 shows the annual average price of standard tin in London from 1946 to 1985. Since it is not shown in real-term which is deflated with general price index but in nominal one, the upward movement of the price is exaggerated, especially in the 1970s. But even referring to Thoburn's real-term index,<sup>4</sup> we can roughly identify three periods in the fluctuation of tin price after the 1950s; the period with rather stable price from the mid-1950s to the mid-1960s, the period with stable at a slightly higher level of price from the mid-1960s to the early 1970s, and the period with extremely soaring price with occasional fluctuations from the mid-1970s to the early 1980s which ended in 1985. We can also say that there is basically an upward trend in the price of tin throughout the period until 1985 when the price fell drastically in the last quarter of the year. This contrasts sharply with the price movement before the War. The price movement before the War generally showed a downward trend

<sup>3</sup>For marginal mines, Kudo, 'Tin Mining in Cornwall during the Inter-War Years', p. 26.

<sup>4</sup>Thoburn, Figure 1.1, p. 10, Figure A.1, p. 197.

**Figure 2 Annual Average Price of Tin Metal, London 1946–85 (Stg. £ per long ton)**

Sources: For 1946–63 Robertson, *Report on the Tin Position*, Table 9, p. 125, and for 1966–85, Roddy, *The International Tin Trade*, Appendix VII, p. 232 (for 1970–85 converted to £ per long ton from original figures given in £ per tonne).

with violent fluctuations, although it became a bit stable after 1931, owing to the International Tin Control scheme to modify the fluctuations.<sup>5</sup> As Figure 3 shows, the imbalances between world tin production and consumption are observed for several periods from 1946 to 1985.<sup>6</sup> The fact that the price movement is mild despite these imbalances suggests, not completely but to some extent, a kind of adjustment mechanism worked with international co-operation. It was the International Tin Agreement (ITA) implemented by the International Tin Council (ITC) and its Buffer Stock Manager (BSM).

### International Tin Agreement

Though the last International Tin Control scheme before the War had already ceased its function during the War, it was officially abolished in 1946, and new International Tin Study Group to explore the possibilities of establishing a new version of tin control system was formed while collecting statistical data and information.<sup>7</sup> But, as some wartime regulations remained and recovering process from the destruction caused by Japanese occupation in Southeast Asia was rather slow until 1949, the negotiation for a new agreement did not start soon. Furthermore, the United States which was the largest consumer of tin and had a great influence in the discussion was reluctant to conclude such an agreement because of anti-cartel feeling in the domestic political scene. It was building up strategic stockpiles for Korean War and wanted to act independently by its own. These factors delayed conclusion of the new agreement until the end of 1953 when the excess of supply in comparison with demand was getting apparent after the Korean War.<sup>8</sup>

The objectives of the First Agreement which became effective from July 1956 followed very closely the thinking in the Havana Charter of 1948, which placed emphasis on the possibility of ‘burdensome surpluses’ of primary commodities, widespread unemployment in primary producing industries, and avoidance of severe fluctuations of price. Therefore,

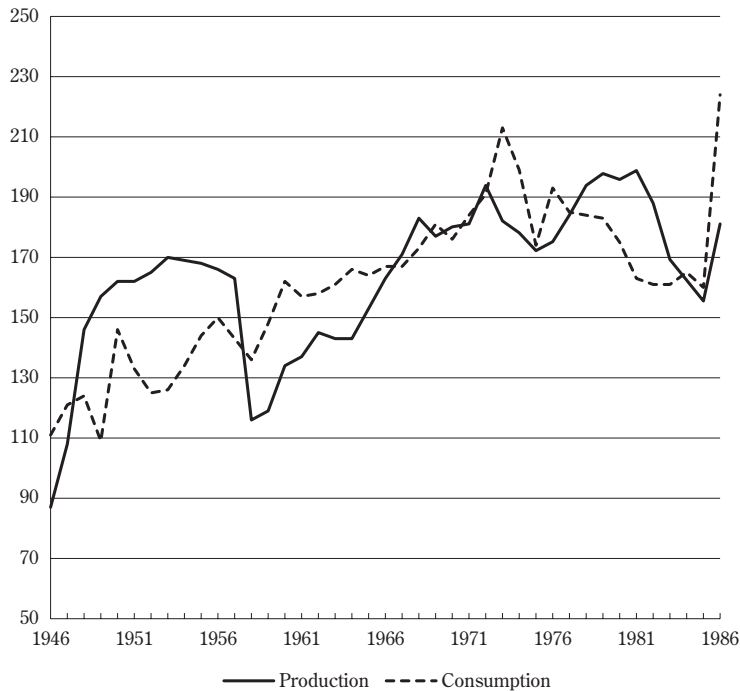
<sup>5</sup>Kudo, ‘Tin Mining in Cornwall during the Inter-War Years’, Figure 3, p. 29.

<sup>6</sup>Supply and demand together with change in tin stocks can be obtained in Crabtree *et al.*, ‘The Great Tin Crash’, in Jomo (ed.), p. 19.

<sup>7</sup>Thoburn, p. 89, Hillman, pp. 336–44.

<sup>8</sup>Hillman, pp. 345–54.

**Figure 3 World Production and Consumption of Tin-In-Concentrates 1946-86**  
(thousand long tons)



Source: Jomo (ed.), *Undermining Tin*, Appendix Table 1, pp. 78-9.

the agreement aimed to settle long-term balance between tin production and consumption, and to avoid short-term severe fluctuations of price.<sup>9</sup> Unlike the scheme before the War, it was inter-governmental agreement between consuming countries and producing countries. Though participating countries differed between the agreements, it was renewed every five years; the First Agreement 1956-61, the Second 1961-66, the Third 1966-71, the Fourth 1971-76, the Fifth 1976-82 (extended by one year), and the Sixth 1982-87 (virtually collapsed in October 1985).<sup>10</sup> From the Third Agreement of 1966 based on the discussion of United Nations Conference on Trade and Development (UNCTAD), an object which was somewhat different from the original ones was added to the objectives, that is, transfer of resources through the international trade from developed tin consuming countries to tin producing countries which were in the process of development.<sup>11</sup> Thus, the agreement to avoid short-term fluctuations of price also became the tool for international development. The U.K. joined all agreements as a consumer country despite the fact that it has tin producing county of Cornwall. It was fortunate for Cornish mining because it was entirely free from the restrictions such as export controls imposed on producing countries by ITC. As the largest consumer in the world, the U.S.A. influenced the discussion but it did not participate

<sup>9</sup>BPP, *The Tin Crisis*, Vol. 2, p. 149.

<sup>10</sup>For each agreement, BPP, *The Tin Crisis*, Vol. 2, pp. 146-57, Hillman, pp. 359-66. For a summarised history of international tin agreements, Burke, 'The Rise and Fall of the International Tin Agreements' in Jomo (ed.), pp. 43-70.

<sup>11</sup>BPP, *The Tin Crisis*, Vol. 2, pp. 149-50, Thoburn, p. 105, Hillman, p. 361.

in the agreements except the Fifth one. Even for the Fifth Agreement it withdrew from the agreement one year before its extended termination. At the beginning, Socialist countries like U.S.S.R. and China were not the member of ITC, though later U.S.S.R participated in the agreement as a consuming country.

ITC set the price range within which BSM could operate. When the price got close to the floor price, BSM built up the buffer stock by purchasing tin in the market, and when the price got close to the ceiling price, BSM sold tin from the buffer stock.<sup>12</sup> When BSM's purchase of tin was not sufficient enough to maintain the floor price, the export control (export quota) was imposed on producing countries to reduce the supply. From 1957 when the first export control was implemented to 1985 when the virtual collapse of the Sixth Agreement occurred there were five export controls.<sup>13</sup> Purchase of tin by BSM with export controls functioned relatively well when the market became depressed by the excess capacity of supply until the mid-1970s. Owing to this activity, gradual upward trend in tin price was maintained. When the market was soaring, sales of buffer stock was not so effective to protect ceiling prices because of the limited volume of buffer stock which was basically subscribed by both producers and consumers. Originally it was 25,000 tonnes in 1956. When ITC was unable to protect the ceiling price due to the running out of buffer stock, sometimes, though it was totally based on the independent decision of the U.S. Government, the disposal of its strategic stockpiles contributed to moderating the soaring market. In the mid-1970s, almost exhaustion of buffer stock and slowdown of the U.S. disposal of strategic stockpiles caused jumping up of prices.<sup>14</sup> But soon after that, due to the second 'oil shock' the world economy got into slump and reduced tin consumption sharply. Excess supply was steadily building up in the early 1980s while the prices were still supported by ITC which raised floor prices to guarantee the profit for member producing countries with the highest production cost.<sup>15</sup>

### The tin crisis

From the beginning ITA had some structural problems. Firstly, though at the starting point it controlled 75% of the world production or 90% of production other than that of Socialist countries, by 1985 it controlled only 60% of the world production reflecting the loosing dominance of Southeast Asian countries.<sup>16</sup> There were outsiders notably China and later Brazil which were increasingly influencing the market as cheap producers. For consumption it only controlled 40% of the world consumption due to the absence of the U.S.A., U.S.S.R., and Eastern European countries in 1956.<sup>17</sup> Outsiders pursued their policy without any relation to ITC's operation. For example, in the early 1980s the U.S. Government sold its stockpiles in the market while BSM was conducting purchase operation with export control.<sup>18</sup> Secondly, there was financial weakness of BSM. Despite this weakness in the period from 1957 to the mid-1970s, BSM could operate with self-finance together with temporary borrowing from the bank and traders. As far as the prices rebounded, BSM was able to recoup the fund used for purchasing tin to protect the floor price. But, with a limited financial support from the developed consumer countries to BSM there was the possibility

<sup>12</sup>The price ranges in the tin agreements were shown in BPP, *The Tin Crisis*, Vol. 2, p. 159.

<sup>13</sup>BPP, *The Tin Crisis*, Vol. 2, pp. 50, 162.

<sup>14</sup>Thoburn, pp. 89–92, 100–5.

<sup>15</sup>Thoburn, pp.151–5.

<sup>16</sup>Crabtree *et al.*, 'The Great Tin Crash' in Jomo (ed.), p. 21, Thoburn, p. 90.

<sup>17</sup>Thoburn, p. 90.

<sup>18</sup>Crabtree *et al.*, 'The Great Tin Crash' in Jomo (ed.), pp. 38–9.

for ITC not to cope with the severe depressed market. Since thinking of UNCTAD was also introduced from the Third Agreement, cost of production in producing countries tended to become a key factor in deciding ITC policy, which meant that the floor prices and export controls were separately set from the market situation of supply and demand.<sup>19</sup> There was the possibility of building up a large volume of stockpiles with no relation to the market. Thirdly, though there has been controversy in the argument as to whether the artificially maintained high prices led to the substitution of tin by the other metals, *e.g.*, aluminium,<sup>20</sup> it can be safely said that it was the agreement with little concern to the changing pattern of demand for whole non-ferrous metals.

Though as a commodity agreement ITA survived for a longer time than any other commodity agreements, it had a time-bomb within it, waiting for explosion. In the early 1980s to protect the floor price it built up the buffer stocks and kept them separate from the market. As far as the price was increasing it could be financed by borrowing from banks with pledging stocks as collateral or using the futures market in a skilled manner. But in 1985 after the Plaza Agreement the exchange rate of U.S. dollars declined sharply and that of pound sterling as well. Reducing value of collateral in sterling made BSM impossible to borrow further to finance its stockpiles. It came on 24th October 1985 when BSM suddenly notified to London Metal Exchange that it could not meet his obligations to pay for the tin to take up that day.<sup>21</sup> This default left a great deal of debt to traders and bankers, and a large volume of stockpiles kept by BSM were thrown into the market which made the tin price halved. Though the direct cause for the crisis was the sudden change of exchange rates, it cannot be denied that there were above stated structural problems behind it.<sup>22</sup>

Thus, at least, tin prices were kept rather high by the operation of ITC from 1956 to 1985. It gave benefit to intra marginal producers as well as outsiders. High cost members could enjoy the mineral rents and outsiders could expand their production under the high price. Since the U.K. was classed as a consuming country by ITC, Cornwall, as one of the marginal producers in the world and an outsider of ITC's restrictions of production, could enjoy double benefits. There was a minor revival of Cornish tin mining industry in the 1970s to the early 1980s which recorded the highest production since 1913 in 1984/85. The process of revival will be observed next.

## 2. Chronology of minor revival of tin mining in Cornwall

Observation will be made by dividing the whole period into six. This division is entirely arbitrary, but in consequence, it roughly corresponds the changes of production shown in Figure 1. The first period reflects a sluggish recovery from the War. The second period shows a slow but steady rise in production to just over 1,000 tons. In the third period, especially from the middle of the period, production increased to 1,500 tons or more. Notable rise of production which was nearly twofold from the beginning of the period was observed in the fourth period. After the drastic fall in 1980, the production of tin sharply increased to its culmination in 1984/5 for the fifth period. And the last period shows the

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<sup>19</sup>Thoburn, p. 105.

<sup>20</sup>Crabtree *et al.*, 'The Great Tin Crash' in Jomo (ed.), pp. 4, 20.

<sup>21</sup>Thoburn, pp. 153-6, Crabtree *et al.*, 'The Great Tin Crash' in Jomo (ed.), pp. 21-4.

<sup>22</sup>Joint authors (Crabtree, Duffy, and Pearce) in Jomo edited book do not completely agree to this opinion, saying that, 'The actual events, however, were triggered off by exchange rate fluctuations rather than these structural problems', Jomo (ed.), p. 4.

decline of production to the year of the end of Cornish mining, though, for a while, a level of around 2,000 tons was maintained.

### The first period: 1946–50

Among three mines operated under the wartime contract with the Government, East Pool and Agar closed in 1945.<sup>23</sup> Only two major mines remained in Cornwall. One was Geevor Mine in the St. Just district and the other one was South Crofty Mine in Carn Brea district (Redruth-Camborne). At the beginning of this period both mines were still operating under the wartime provisional contract signed in July 1945, which stipulated that the Ministry of Supply bought up all tin ores from both mines at the price which could left some profit to the mines.<sup>24</sup> Instead, the contract also included the regulations for mining costs, for example, wages that the mines could not determine by themselves without the consent from the Ministry of Supply.<sup>25</sup> There was dissatisfaction among the mines that they could not sell their ores freely in a strong market owing to the increasing demand for tin for the reconstruction and a limited supply from the Southeast Asia immediately after the War. Furthermore, the fact that there was a non-negligible difference between the purchasing price of the Government and its selling price to tin consumers was also a source of dissatisfaction. For instance, the Government bought Geevor's tin at £559 per ton and sold it to smelters at £572.<sup>26</sup> Negotiation with the Ministry of Supply to ameliorate conditions took place in 1947 but was not successful.<sup>27</sup> The contracts expired in 1948 for Geevor and in 1950 for South Crofty.<sup>28</sup> As South Crofty took over pumping work from East Pool and Agar which was already placed under the receivership to keep the mines in the region dry, its pumping cost was doubled.<sup>29</sup> Who would bear the cost was another problem.

Partly in response to the request made by Member of Parliament (MP) from Cornwall and Institution of Mining and Metallurgy in the wartime for a thorough investigation into the metalliferous mining in the U.K.,<sup>30</sup> the Ministry of Fuel and Power appointed Mineral Development Committee in 1947 (named after its chairman Lord Westwood, it was called the Westwood Committee). The object of the committee was as follows.<sup>31</sup>

To enquire into the resources of minerals in the United Kingdom, excepting coal, oil, bedded ironstone, substances of widespread occurrence; to consider possibilities and means of co-ordinated, orderly and economic development in the national interest, and to make recommendations in regard thereto.

The long-awaited report of the Committee (the Westwood Report) was published in July 1949. After a long report of investigation into the state of individual mineral resources and past policy for mining, ten recommendations were made at the end of the report.<sup>32</sup> The nationalisation of mineral rights, unified Government administrative arrangements, a minor adjustment of mining taxation, and special recommendations for Carn Brea mining districts were among them. Geevor in St. Just district was operating with profit and planning to extend its operation by its own. Therefore, a special measure for Geevor was not taken up in

<sup>23</sup>Kudo, 'Cornish Mining during the WWII', p. 12.

<sup>24</sup>Kudo, 'Cornish Mining during the WWII', pp. 10–1.

<sup>25</sup>Kudo, 'Cornish Mining during the WWII', footnote 56, p. 13.

<sup>26</sup>*Corn.*, 30 Sep. 1948, p. 6.

<sup>27</sup>*Corn.*, 25 Sep. 1947, p. 5.

<sup>28</sup>*Corn.*, 22 Apr. 1948, p. 3, 17 Aug. 1950, p. 4.

<sup>29</sup>*Corn.*, 21 Feb. 1946, p. 5.

<sup>30</sup>Kudo, 'Cornish Mining during the WWII', footnote 53, p. 13.

<sup>31</sup>BPP, *Report of the Mineral Development Committee*, p. 1.

<sup>32</sup>BPP, *Report of the Mineral Development Committee*, pp. 101–3.



the recommendations. But South Crofty in Carn Brea district was facing the problem of increasing pumping cost above mentioned. The committee recognised the importance of the district in future tin mining of the country, and indispensability of keeping the district dry. To attain the purpose the committee recommended for the Government to give a subsidy to South Crofty to install a new electric pump while sending two directors to the board of the company.<sup>33</sup> As for mining taxation the committee agreed to extend a definition of capital expenditure which was conceded in the Income Tax Act, 1945 for the first time to all expenditure incurred before actual mining operation except the cost for acquiring the site of the source and mineral rights, *e.g.*, that on exploration, development, shaft sinking, and mining equipment. But the committee denied the introduction of depletion allowances which were employed in other mining countries such as the U.S.A., Canada, and Australia.<sup>34</sup> It had been repeatedly claimed by Cornish mining people and MPs. The committee even reached a conclusion saying, 'preferential tax concession to encourage mineral development and production would not be the correct long-term remedy. The problem is much too complex to be dealt with in this way'.<sup>35</sup> As the taxation was one of the main topics in the discussions about industrial subsidies between Cornish mining interests and the Government, it will be considered later as an independent section of this essay. In the course of discussion, the committee also recognised the importance of massive survey of mineral resources in the U.K. which was conducted later in relation to a new law, Town and Country Planning Act.<sup>36</sup> Except for remarks on taxation most of the recommendations were in line with claims of Cornwall Mining Development Association (CMDA) formed in 1948 to advocate Cornish mining interests, so the report was generally welcomed by the people in Cornwall.<sup>37</sup> But it was true that the report was somewhat lack of impact despite a long-time investigation, for almost two years. And eventually most of recommendations including nationalisation of mineral rights which would make possible to operate mining in a large scale, were not implemented. Even the subsidy to enable South Crofty to install the new electric pump was turned down by the Treasury in 1950. South Crofty had to find the fund by its own.<sup>38</sup>

By being released from the wartime regulations, and rather high tin price especially after the devaluation of sterling pound in 1949, two mines enjoyed not remarkable but steady performance. Even so, two mines produced only about 3% of the U.K.'s total consumption of tin.<sup>39</sup> The acute shortage of skilled miners which became apparent as mining was recovering from the War,<sup>40</sup> heavy taxation, and expected new burden of Development Charge stipulated in Town and Country Planning Act of 1947 under the Labour Government,<sup>41</sup> remained as the problems for further development of mining in Cornwall.

### The second period: 1951-60

This decade shows a steady expansion in production. But as local paper described, 'greatly improved industrial position in Redruth-Camborne area but only South Crofty is

<sup>33</sup>BPP, *Report of the Mineral Development Committee*, p. 102.

<sup>34</sup>BPP, *Report of the Mineral Development Committee*, pp. 73-4.

<sup>35</sup>BPP, *Report of the Mineral Development Committee*, p. 75.

<sup>36</sup>*e.g.*, Dines, *The Metalliferous Mining*.

<sup>37</sup>*Corn.*, 18 Aug. 1949, p. 5.

<sup>38</sup>*Corn.*, 9 Nov. p.2, 8 Dec. p. 5, 1950.

<sup>39</sup>*Corn.*, 2 Sep. 1948, p. 4.

<sup>40</sup>*WMN.*, 2 Jan. 1948, p. 5, *Corn.*, 23 Nov. 1950, p. 5.

<sup>41</sup>This issue was frequently discussed in local papers. *e.g.*, *Corn.*, 11 Nov. 1948, p. 4, *Western Daily Press*, 3 Feb. 1949, p. 3, *CG.*, 3 Mar. 1949, p. 5.

active in the region',<sup>42</sup> increasing production mostly depended on two mines; South Crofty in this area and Geevor in St. Just. The task to attract new investment to develop or re-open mines was essential. For this purpose, CMDA and Cornish MPs insisted the necessity of a tax relief until actual operation of mining began or their first profit was made. As shown later, argument for this kind of concession dominated in articles of local papers and also in the Parliamentary debates. For two mines operating at that time, the tax problem was also critical. South Crofty made profit before tax £46,618 in 1952 from which £29,920 (64%) was deducted as income tax and excess profit duty.<sup>43</sup> Geevor's pre-tax profit for the year ended at the end of March 1955 was £109,736. From this a tax of £51,736 (47%) was deducted. After paying dividends, only £30,000 was reserved for its future development.<sup>44</sup> The chairman of the mine regarded mining taxation as 'penal nature' a year before.<sup>45</sup> Complaining about unfair taxation was more popular than ever. Of course, there was prudent views such as expressed by J. Row. He criticised the view that Cornish tin mining would return to old days prosperity if fair taxation were made, referring to reducing importance of tin metal due to the progress of substitution. He even referred to the past when Cornish miners lost their competitiveness against other producing countries because they centred their effort to 'picked eyes out' (to mine only rich ores in easy grounds) and neglected investment to modernise mines. But his view remained a minority.<sup>46</sup>

Shortage of miners was still a problem despite the generally high level of unemployment in Cornwall. In addition to Polish miners who had been working in South Crofty since the War, Italian workers were introduced. Unlike in the coalfield in Midland, Transport and General Workers Union did not oppose the introduction of foreign workers into the region.<sup>47</sup> Active explorations for mineral resources other than tin, especially uranium was one of the popular topics. But almost all prospecting turned out to be commercially unprofitable, so there were no incentives for Cornish mining.<sup>48</sup>

Two new problems against revival of mining, though they related each other, became apparent in the period. In order to start mining with surface buildings and equipment, prospected mining companies had to apply for prior consent to County Planning Committee, Ministry of Housing and Local Government. In relation to this problem the environmental issues became one of the main concerns for opening mines. That is the conflicting interests between development of mining industry and preservation of environment and scenery. Over the next decade this issue argued actively in local papers each time when new mining projects were proposed. The debates on re-opening Carnelloe mine near Zennor which was planned in 1960 and finally rejected by the Ministry of Housing and Local Government in 1962 was typical case.<sup>49</sup>

Rather violent up and down in tin prices were recorded in the beginning of the period due to the Korean War effect, that is, building up the U.S. strategic stockpiles and then the disposal of them after the armistice. But owing to ITA's operation effective from July 1956, price fluctuations became moderate, and under these market conditions two operating mines could maintain steady expansion in production. But no major newcomers appeared

<sup>42</sup> *WB.*, 31 Dec. 1953, p. 4.

<sup>43</sup> *WB.*, 18 Jun. 1953, p. 8.

<sup>44</sup> *Truth*, 19 Aug. 1955, p. 28.

<sup>45</sup> *WB.*, 16 Sep. 1954, p. 9.

<sup>46</sup> *WB.*, 12 Apr. pp. 10, 26 Apr. p. 10, 3 May p. 10, 1956.

<sup>47</sup> *Birmingham Daily Gazette*, 30 Apr. 1951, p. 5, *WB.*, 26 Jun. 1952, p. 7.

<sup>48</sup> e.g., *Dundee Courier*, 15 Jan. 1953, p. 4, *CG.*, 10 Jul. 1958, p. 9.

<sup>49</sup> e.g., *WB.*, 27 Oct. 1960, p. 10, 18 May p. 7, 28 Dec. p. 8, 1961, 1 Mar. 1962, p. 8.

during the period.

### **The third period: 1961-70**

Backed by growing demand for tin in the world, two mines vigorously made investment to increase production. South Crofty actively explored old mines which it had acquired until then, such as Dolcoath, East Pool and Agar, and Tincroft, and doubled its production for a year to 1969.<sup>50</sup> Production increased to the point where shortage of labourer and their housing became main concern. As most Cornwall was designated a New Development Area in 1966 under the Labour Government,<sup>51</sup> which means that a 40% investment grant for capital expenditure became available.<sup>52</sup> It actually gave benefit to the existing mines as the case of Geevor which made handsome profit owing to this grant in 1966.<sup>53</sup>

The steady upward trend in price also attracted mining capital from outside of the country. In fact, several internationally famed mining concerns showed their interests in Cornwall and started explorations. Among them Consolidated Gold Fields' project for re-opening Wheal Jane near Truro came to fruition. After they had invested more than £325,000 for thorough investigation by 1968, they opened the mine at the end of the decade.<sup>54</sup> Full mining development of Pendarves near South Crofty also planned by a Canadian company in 1964.<sup>55</sup> Controlling stakes in South Crofty were bought by Siamese Tin Syndicate and St. Piran.<sup>56</sup>

As early as in 1961 Trounson, the chairman of CMDA remarked, 'Tide is turning, the end of lean years is in sight'.<sup>57</sup> It was realised within the period. Though tax concession to attract mining investment was still eagerly sought, an optimistic view became stronger as years went on and it was even suggested that, in another ten years, the production would reach the level of the latter part of the 19th century.<sup>58</sup> Reflecting this progress, Cornish Chamber of Mines which had been defunct for several years revived in 1963.<sup>59</sup>

### **The fourth period: 1971-80**

This decade showed a soaring tin price along with a sharp rise in prices of other industrial materials. At the beginning of this period the price of tin was at around £1,500 per ton but by the end of the period it rose to £7,400. As the price index of general commodities went up as well, the margin was not so enormous in real term but still remarkable. Margin of profits of mining companies was also limited due to spiralling costs.<sup>60</sup> And as for general social and economic environment they were not so good due to deteriorating competitive edge of British economy and growing social discontent. Even so the decade provided favourable conditions for promoting tin mining by newcomers as well as existing mining companies.

Adjacent to Wheal Jane which became in full operation by Consolidated Gold Fields as

<sup>50</sup> *WB.*, 4 May 1967, p. 8, 22 May 1969, p. 1.

<sup>51</sup> *CG.*, 20 Jan. 1966, p. 9.

<sup>52</sup> *Wren*, p. 62.

<sup>53</sup> *WB.*, 13 Oct. 1966, p. 17.

<sup>54</sup> *WB.*, 13 Jun. 1968, p.1, 10 Jul. 1969, p. 8.

<sup>55</sup> *WB.*, 4 Jun. 1964, p. 6.

<sup>56</sup> *WB.*, 22 Jun. 1967, p. 8. Later St. Piran Mining Company became the parent company of South Crofty, Buckley, p. 198.

<sup>57</sup> *WB.*, 6 Jul. 1961, p.4.

<sup>58</sup> *WB.*, 11 Jun. 1970, p. 15.

<sup>59</sup> *WB.*, 5 Sep. 1963, p. 5.

<sup>60</sup> *WB.*, 7 Oct. 1971, p. 8.

early as in the beginnings of 1970s, the project for opening Mount Wellington proposed by a Canadian company (Cornish Tin and Mining) gained momentum toward the middle of the decade. The £3 million project was expected to employ 300 people.<sup>61</sup> The Government poured £1.8 million into this mine in the forms of grant and debenture out of the newly available Regional Development Grant over three years.<sup>62</sup> The 1971 census showed the recovery in the total number of populations of the county from continuous decline since 1861 because of massive emigration. Together with this bright news tin mining in the region appeared to have revived at last. In April 1977 it was said, ‘the most prosperous for decades’.

Though high price of tin continued in general, there was a small slump in 1978. Mount Wellington which was still struggling to overcome initial loss suddenly announced the closure of mine in May 1978. Soon after, adjacent Wheal Jane, of which drainage depended on Mount Wellington’s pumping, also declared their plan to close and employment of more than 750 miners became at threat.<sup>63</sup> The question as to who would bear the cost of pumping to keep Wheal Jane dry had to be solved. An international mining giant, Rio Tinto Zinc Corporation (RTZ) was interested in these mines and negotiation to re-open the mines took place. At first, RTZ applied for grants based on the Industry Act of 1972 to the Government, presenting an 16 month-plan in which they had already injected £800,000 in 1979.<sup>64</sup> But newly elected Conservative Government led by M. Thatcher, whose basic attitude was negative to giving the direct aid to the industry, was reluctant to accept the plan.<sup>65</sup> Therefore, RTZ established Carnon Consolidated by their own to operate these mines.<sup>66</sup> Wheal Jane became in full operation in 1980<sup>67</sup> despite a short slump of tin price of the year which caused poor performance in both Geevor and South Crofty.<sup>68</sup>

As in common with other countries and industries, environmental awareness was increasing in Cornwall in this decade too. Possibilities of pollution caused by mining activity were sometimes taken up by local papers but most of them did not have a significant impact on mining interests.<sup>69</sup> In the mid-1970s with five active mines *i.e.*, Geevor, South Crofty, Pendarves, Wheal Jane, and Mount Wellington, Cornish tin mining recorded the production of around 4000 tons or more.

### The fifth period: 1981–85

The period began with a fall of tin price to £6,000 per ton but soon after the price recovered and went up sharply to over £8,000 toward the end of the year. New exploration in Blackwater district was commenced by a small mining company called Wheal Concord.<sup>70</sup> South Crofty which actually made a loss in 1980, though the loss was offset by tax credit and it eventually turned into a profit of £770,000,<sup>71</sup> became break even in September 1981.<sup>72</sup> Buoyant price continued partly owing to speculative activity caused by a failed attempt to corner the market of tin by an unidentified body (probably Malaysia) in 1981/2. ITC rose the

<sup>61</sup> *WB.*, 30 May 1974, p. 13.

<sup>62</sup> *WB.*, 20 Apr. 1978, p. 17.

<sup>63</sup> *WB.*, 4 May 1978, p. 13. ‘Cornish tin Mines (Closure)’, *Hansard*, 11 May 1978, vol. 949.

<sup>64</sup> *WB.*, 2 Apr. 1979, p. 3. ‘Wheal Jane tin mine, Cornwall: application by Rio Tinto-Zinc Corporation Limited for resumption of production under section 7 of Industry Act 1972’, National Archives Kew, PV14/15, 14/16, 14/17.

<sup>65</sup> *WB.*, 14 Jun. p. 3, 18 Jun. p. 2, 1979.

<sup>66</sup> *WB.*, 2 Aug. 1979, pp. 1, 15.

<sup>67</sup> *Aberdeen Evening News*, 13 Mar. 1980, p. 5.

<sup>68</sup> *WB.*, 10 Jul. pp. 9, 25, 4 Dec. p. 1, 1980.

<sup>69</sup> *e.g.*, *WB.*, 12 Aug. 1976, p. 17.

<sup>70</sup> *WB.*, 6 Jul. 1981, p. 11. For Wheal Concord project, BPP, *The Tin Crisis*, Vol. 2, pp. 251–3.

<sup>71</sup> *WB.*, 27 Aug. 1981, p.1.

<sup>72</sup> *WB.*, 24 Dec. 1981, p.10.

price range accordingly.<sup>73</sup> Then collapse of the attempt caused the price fall near to the floor price at which BSM went into action to buying up tin in the market and ITC imposed the export control to limit the supply in April 1982. According to Thoburn's study the real price already turned into the downward trend from 1982.<sup>74</sup> Indeed, five years until October 1985 was much complicated era. Though the nominal price was still rising, ITC imposed the export control and BSM was maintaining the buffer stock, while the U.S. was selling its stockpiles.<sup>75</sup>

South Crofty got involved in trouble over the ownership of its parent company, St. Piran, of which share trading was suspended in London Stock Exchange in 1980.<sup>76</sup> RTZ and an internationally famed mining company, Charter Consolidated, bought controlling shares of South Crofty from St. Piran in 1982.<sup>77</sup> Later in 1985, RTZ acquired stakes possessed by Charter Consolidated, and RTZ's subsidiary Carnon Consolidated became a sole owner of South Crofty. Thus, Carnon Consolidated controlled four mines in Cornwall; South Crofty with adjacent Wheal Pendarves and Wheal Jane with adjacent Mount Wellington. At one time RTZ also had 20% of stakes in Geevor though they sold them later. RTZ was interested in Cornwall because its smelting house in Humberstone, Capper Smelter, an only survived tin smelter in the U.K., required Cornish ores.<sup>78</sup> In 1982 these Cornish mines produced 40% of the U.K.'s total consumption.<sup>79</sup> Among above four mines the run out of tin ores was predicted in Pendarves by the end of 1984, half of miners of the mine moved to South Crofty.<sup>80</sup>

As stated above, the sudden collapse of market happened in October 1985. The default of BSM left enormous loss to tin traders in London Metal Exchange and the price plunge threatened the survival of Cornwall's tin mining. More than 1,500 people directly employed in mining industry were on the verge of unemployment.<sup>81</sup> Urgent debates were organised in House of Commons and the immediate examination into the crisis took place in the Trade and Industry Committee.<sup>82</sup> The committee's report, entitled *The Tin Crisis*, was published in March 1986.

### **The last period: 1986 and after**

The report made five specific mentions of the assistance to Cornish industry. Firstly, it said that the Government of each member country was solely responsible for dealing with problems in its own country though the crisis was caused by an international mishap, which means that the British Government was responsible for solving the problems of Cornwall's tin mining. Secondly, it urged the Government to act promptly saying, 'The Government is inclined to wait and see what happens. This will simply not do. If it waits for the tin price to settle before taking action, there will be no tin industry left in Cornwall'. Thirdly, it recommended an injection of capital by Government at £4 million per year for five years to Geevor's long-term solution. Injection of capital would be made in the form of an interest-free loan convertible into equity when the mine is operating profitably so that the Government

<sup>73</sup> Jomo, 'Malaysia's Tin Market Corner' in Jomo (ed.), pp. 71-7, Thoburn, pp. 152-3.

<sup>74</sup> Thoburn, p. 197.

<sup>75</sup> Thoburn, pp. 151-3.

<sup>76</sup> *WB.*, 26 Mar. p. 2, 14 May, p. 2, 18 Jun. p. 1, 17 Sep. p. 1, 24 Sep. p.1, etc., 1981.

<sup>77</sup> *WB.*, 12 Aug. pp. 1-2, 14 Oct. pp. 6, 8,10, 1982.

<sup>78</sup> BPP, *The Tin Crisis*, Vol. 2, pp.122-8, 133.

<sup>79</sup> *WB.*, 23 Jun. 1983, p. 1.

<sup>80</sup> *WB.*, 14 Jun. 1984, p. 1.

<sup>81</sup> Memorandum submitted by the Department of Trade and Industry', BPP, *The Tin Crisis*, Vol. 2, p. 168.

<sup>82</sup> e.g. *Hansard*, 12 Feb. vol. 91, 12 Mar. vol. 93, 8 Apr. vol. 95, 1986.

could secure and recoup some of the taxpayers' money in the future. Fourthly, it urged the Government to give some short-term support to cover very low price levels while the market would sort itself out. And lastly, it concluded its remarks saying, 'it is supreme importance that the Government should begin negotiations with the industry on the possible types and amounts of aid and conclude them without delay. We believe that the Cornish tin industry is worth saving'.<sup>83</sup>

In accordance with the report both Geevor and Carnon Consolidated (RTZ) made applications for aid to modernise mines for their survival. Each project was examined by the Government in terms of commercial viability.<sup>84</sup> In June Geevor's project which consisted of an injection of public money at £ 3 million per year for five years for modernisation and short-term grants at £150,000 to tide over the crisis was turned down as being not viable in economic sense, and the mine announced to shut down in October of the year.<sup>85</sup> After brief re-opening Geevor finally closed in 1992.<sup>86</sup> On the other hand, RTZ's project was accepted in August 1986 and £15 million Government loan and up to £10 million Government guarantee to the commercial loan were to be given to RTZ.<sup>87</sup> Thoburn suggests that there may have been a political consideration behind this choice.<sup>88</sup>

When the market showed slight signs of recovery in 1988, the management buy-out of Carnon Consolidated was made and Carnon Holdings (80% for management, 20% for employees) was formed. Government loans were taken over by this company; initial £15 million loan and interest-free Government loan at £10 million which was converted from the original Government guarantee. RTZ also promised to give an interest-free loan to the new company.<sup>89</sup> In 1991 South Crofty attained the target of cost reduction to £3,703 per ton, but the price of tin declined further below £3,000.<sup>90</sup> The Government decided to withdraw its investment from South Crofty after having invested £23 million. As a result, RTZ also retracted a promise of further £2.4 million investment in the mine.<sup>91</sup> Wheal Jane under Carnon Holdings closed in 1992, though its surface plant continued to process ores from South Crofty. Closure of Wheal Jane caused an escape of untreated water from the mine and raised severe environmental problem.<sup>92</sup> The only survived mine in Cornwall, South Crofty, was closed in 1998. After that, though some resumption projects have been talked about for tin or metals other than tin, serious re-open attempts of South Crofty mine has not been materialised until now.

### 3. Debates over mining taxation

From the wartime, a claim that pre-production expenditure such as expenditure on mining development and shaft sinking should not be liable for taxation so that it could be recovered over the years in operation of mines was repeatedly insisted by Cornish mining people. For the first time, Income Tax Act, 1945 stipulated initial allowances for the first

<sup>83</sup>BPP, *The Tin Crisis*, Vol. 1, p. xxiii.

<sup>84</sup>*Hansard*, 29 Apr. vol. 96, 14 May vol. 97, 1986.

<sup>85</sup>*Hansard*, 3 Jun. 1986, vol. 98.

<sup>86</sup>350 jobs lost, *Newcastle Evening Chronicle*, 15 Nov. 1986, p. 2, Thoburn, p. 167.

<sup>87</sup>'Saved', '640 jobs preserved, more than 300 ... voluntary redundancy', *WB.*, 11 Aug. 1986, p. 1.

<sup>88</sup>Thoburn, p. 167.

<sup>89</sup>*Hansard*, 22–23 Mar. 1988, vol. 130.

<sup>90</sup>*Hansard*, 6 Mar. 1991, vol. 187.

<sup>91</sup>*Hansard*, 3 Feb. 1994, vol. 236.

<sup>92</sup>Thoburn, p. 167.

year and annual allowances for subsequent years. The Government thought that for promoting the post war reconstruction, accelerated depreciation of capital expenditure would be necessary and initial allowances, 20% for plant and machinery and 10% for building works respectively, were introduced in the Act.<sup>93</sup> Mining people in Cornwall welcomed the Act and, for a while, were dedicated to extending the definition of pre-production capital expenditure to all the cost incurred before production. As stated above, the Westwood Committee also recommended it, while carefully excluding expenditure on acquiring the mining site and mineral rights from it.<sup>94</sup>

### Debates in 1949<sup>95</sup>

In 1949 an amendment of the 1945 Act to add new clause to the Act was proposed by Cornish MPs.

Provided that where the undertaking consists mainly in the mining of tin, tungsten or lead, the person carrying on the trade or business may elect in lieu of the annual allowance computed as aforesaid there shall be made to him a percentage depletion allowance, that is to say, an allowance calculated value during the basis period of the year of the assessment of the extracted mineral products at the site where they are extracted. The percentage to be applied shall be at the rate of twenty-five per cent. of such realised value.

The very core of this proposal was to make possible for metalliferous mining firms to replace annual allowances stipulated in the 1945 Act with depletion allowances which were in place in the U.S.A. and other several countries. As Parliamentary debates on this proposal showed a good example for considering the nature of the problem, some details will be cited here.

Commander Agnew (MP for Camborne) pointed out the problem of annual allowances saying: -

The annual allowance is based on the working of a rather complicated formula under which a fraction is computed; it is made up, in its numerator, of the output of the mine for the basic period, and, in the denominator, the figure representing that same output which has to be added to the total future potential output of the mine. ... the fact that in many kinds of extracting industries, ... it is extremely difficult, if not impossible, to forecast with any accuracy of all what the total future potential output of the mine can be. It is felt, in view of that, that the existing system of annual allowances will tend to be quite inadequate in the amount of tax relief it will grant.

So, he continued: -

The Clause substitute, at the option of the mining company, in the case only of tin, tungsten and lead mines, a new system under which a direct depletion allowance is given. This is based on an allowance at the rate of 25 per cent. of the actual output of the mine during any basic period. As tax relief, this amount, though more substantial than that given by Section 27 of the Act, is estimated to furnish only a very modest amount of relief—and one that is not likely to cost the Chancellor very much if this Clause is inserted in the Bill.

He insisted to introduce depletion allowances which were sometimes applied to wasting

<sup>93</sup>Wren, p. 33.

<sup>94</sup>BPP, *Report of the Mineral Development Committee*, p. 73.

<sup>95</sup>'Amendment of Section 27 of Income Tax Act, 1945', *Hansard*, 6 Jul. 1949, vol. 466. Hereinafter in this section, to avoid frequent citation footnotes, documentation will be shown only once in the footnote of item's title.

asset such as oil or gas resources and were observed in several other countries.

In reply, the Solicitor General, after mentioning that the question of depletion allowances had been already discussed for mineral deposit and mineral rights and reached a conclusion 'that, upon general principle, such an allowance could not be accorded'. He said: -

I would urge upon the House that there are other really quite fatal objections to the Clause. The Income Tax Act of 1945 is the code in our tax legislative system which outlines depreciation allowances. ... the Income Tax Act, 1945, contains the framework of our depreciation allowance system. The basis of the principle of grants for depreciation is that they are allowances against expenditure incurred. ... the allowance is only granted against expenditure actually incurred ... Depletion allowances, which are deducted in some other countries like the United States, are based on a wholly different principle. They are not related to expenditure incurred, but to the quantum extracted from the mineral deposit. If this Clause were adopted, it would simply mean tax relief to the extent of 25 per cent. of the gross income accruing from the gross extract. These are two contrasting and different systems. We have adopted the former system under which depletion allowance are given in respect of expenditure.

He repeatedly insisted the difference in principle between two systems, then he said, 'there is no reason whatever for combining both. The depletion allowance completely departs from the principle which we have adopted for the purpose of our legislative system. If our system is inadequate, then the appropriate method is to increase the amount of allowance given. Our system works very effectively and efficiently. ... if it is inadequate, one should increase the amount of the allowances given, and attempts to do so are made from time to time. ... recently we made a very substantial increase by doubling the 20 per cent allowances for plant and machinery to 40 per cent. That is the way to tackle the problem if there is still a problem at all'.

Commander Agnew requested answer from the Solicitor-General to his question on 'the unsatisfactory nature of the existing system, in that it is not possible to estimate what the total future output of a tin mine is going to be'. Then the Solicitor-General replied: -

Throughout the Income Tax legislation, estimates of unknown quantities have to be made, and they are difficult to ascertain as in this particular case. ... but throughout legislation, generally, one has constantly to make estimates as to output and so on. After all, it is for the Crown to tax the subject and to establish what the real estimate is. If it is doubtful what the estimate is, the Crown only gets tax upon what can be said to be the real estimate of what is still to be extracted from the source in question.

His argument was that the estimation should be made based on the real output from the site not on just assumed output.

Other MPs from different constituencies joined in the argument that, pointing out the importance and uniqueness of metal mining, that is, deep and cost consuming nature of operation, its contribution to saving U.S. dollars by reducing the import of the metal and so on, it should be treated in a special way for promoting the industry itself. It was not the problem as to which principle should be employed. The object of amendment was not for grants but fair taxation. But this amendment was not adopted.

The claim to insert clauses of depletion allowances or other tax concessions to Finance Bill was discussed each time when the Bill was proposed. But there were no successful results. Followings, debates which were made in 1956, 1961 and 1965, are typical cases



worth looking at in detail.

### **Debates in 1956<sup>96</sup>**

In December 1956 there was a rather lengthy debates on the future of non-ferrous metal mining in the U.K., reviewing its history and contemporary situation, in the House of Lords. In the course of the debate, Lord Mancroft, The Joint Parliamentary Under-Secretary of State for the Home Department, replied to the questions on tax policy, especially on depletion allowances, citing the Report of the Royal Commission on Taxation of Profits and Income published in the previous year as follows.

The Commission recommended that a depletion allowance should be given in respect of the cost of acquisition of mineral rights or areas. On the other hand, they did not favour any of the schemes for special depletion allowances such as operate in Canada and elsewhere. These are not, of course, allowances for expenditure actually incurred, but simply a methos of taxing mining concerns at lower rates than other industries.

He continued his remarks on the mining: -

Naturally we should like to see an expansion of domestic non-ferrous mining industry if it could be achieved on a competitive basis. ...

We have all emphasised that this is a highly speculative trade. It is one which we on the side of the House feel is quite inappropriate for Government intrusion. On the other hand, if other steps could be shown to be desirable in the interests of expanding home production, Her Majesty's Government would naturally consider them most sympathetically provided the expansion is on a competitive basis. ... our national prosperity greatly depends on efficiency of our engineering production. I think it would be foolish to base our non-ferrous metals policy, with which, closely linked, on any other principle than that obtaining those metals from the places, whether at home or abroad, where they can be produced more cheaply and efficiency than anywhere else, even under our own ground.

He clearly argued that 'efficiency' or 'a competitive basis' should have been the first priority in considering the interests of general economy of the country.

### **Debates in 1961<sup>97</sup>**

In June 1961 H. Wilson who was MP for Huyton at the time and became Prime Minister later in 1964 proposed a clause of a tax relief from profit tax for non-ferrous metal mines as follows.

- (1) Profits of a trade commenced after the passing of this Act and consisting of or including the working of a non-ferrous metal mine situated in the United Kingdom, being profits arising from the working of the mine and so arising during a period of thirty-six months, beginning with the day on which the mine is first brought into commercial operation, shall be exempt from the profit tax.
- (2) For the purpose of this section a mine shall be deemed to be brought into commercial operation as soon as substantial quantities of ores are extracted from the mine for any treatment and for disposal; and such substantial

<sup>96</sup>'Mining of Non-Ferrous Metals', *Hansard*, 18 Dec. 1956, vol. 200.

<sup>97</sup>'Non-Ferrous Metal Mines in United Kingdom: Relief from Profit Tax', *Hansard*, 21 Jun. 1961, vol. 642.

quantities shall not be taken to include ore extracted in the course of searching for, discovering or mineral deposits or winning access thereto.

In short, this means an introduction of a kind of tax exemption or so-called 'a tax holiday' for three years since commencement of commercial mining to the taxation for non-ferrous metal mining. Similar proposal was made by Marshall (MP for Bodmin).

Wilson stated the purpose of the clause, in a prudent but strong manner, quoting 'national interest' under the world shortage of tin.

The purpose of the new Clause is to provide special tax treatment for a single industry, and, therefore, I think it is incumbent upon whoever moves it to prove a special case for such treatment, as it is unusual to ask for special treatment for an industry. That case, however, is that in the national interest it ought to be done, since we are facing a world shortage of tin, and ... It will mean serious economic problems for this country, and it is, therefore, vital that we should take all possible measures to develop the tin mines of this country.

All the experts agree that there is a big prospective world shortage of tin, not just this year, but for many years to come. On 8th June *The Times* stated: 'The only hope for the industry seems to be encourage marginal producers to open their mines up again'. That phrase is directly relevant to this new Clause, because we are talking about marginal producers in this country who are governed by our tax system.

He continued his argument, citing the situation of Cornish mining: -

There are now two main companies, admittedly large, and the county's output is about 1,200 tons a year, less than 1 per cent. of world supply and only about one-eighth of what it was peak period some seventy or eighty years ago.

Having proved the need for increased production by this country – I do not want to over-state the case, for even if it were doubled or trebled it would still be only a small proportion of total world consumption, although that is no argument for not doing it – there will be no argument but that tin does exist in substantial and winnable quantities beneath our soil. That is beyond doubt.

There are two problems, first of finding the tin and then, having found it, of getting to the point of production. In both cases this industry can claim certain unique qualities, or disadvantages, which provide us with the case of unique tax treatment.

He also asked the Government to show any alternative proposals, if there were any, based on its previous reply made by then Chancellor of Exchequer in 1956. Marshall who had repeatedly proposed similar kind of bills until then, showed examples of Canada and Eire (Ireland) where depletion allowances and a tax holiday were in place. Especially he quoted the case of Eire that it became mineral rich country owing to the legislation.

Chancellor of Exchequer replied as follows, pointing out the fact that there were already substantial tax concessions.

I have been considered the matter carefully. ... My difficulty is that it already gets substantial tax holiday. The following are the examples of the tax benefits. If the capital required for a new mine was, say, £500,000, of which £200,000 was put into mining works, it would carry investment allowance of 20 per cent. and an initial allowance of 20 per cent. If a further £200,000 were put into plant and machinery, it would carry an investment allowance of 20 per cent. and an initial allowance of 10 per cent. Before any tax would be paid, the total profit would have to reach a figure of £140,000. In addition, there will be tax-free bonus of £80,000 arising from the

investment allowance.

He also mentioned, with some reservation, the difficulty of applying such concession to one specified local industry.

Thus, there is already a substantial tax holiday for people engaged in this kind of enterprise. My problem is one to which referred. If I give a special concession to this industry, will I not have to give similar concessions to every extracting industry? ... I am impressed, however, by the argument used in this debate. Strong opinions have been expressed on both sides. I can make no promise, but I undertake to look at this again ... to see whether there is any way in which I can help by some further kind of tax concession.

My difficulty is that if I were to put forward any sort of concession which was held to be a precedent for all extracting industries, then I could not entertain the idea, but this is a special case. there are special circumstances in connection with this commodity at the present time.

### Debates in 1965<sup>98</sup>

In March 1965 under the newly elected Labour Government, there were debates on tax concessions in the course of discussions about the situation of domestic tin mining in the House of Lords. In reply to the question about mining taxation, Lord Rhodes, Parliamentary Secretary for Board of Trade, said as follows.

I have been hearing about this tax holiday for mines ever since I came to Parliament in 1945; and we in the Labour Party have, in Budgets, Finance Bills, put up our Amendments on this subject. But may I say to the noble Lord: do not expect us to do in six months what the other side did not do in thirteen years. ... I hope that his advocacy of this particular form of tax relief will not obscure from mining interests the very substantial incentives which exist already for mining in Cornwall – and they are quite considerable. They are even bigger under the 1963 financial provisions. It is a Development Area; it has the opportunity to take the benefit of the grants and the loans.

His reply reflected newly introduced geographically differentiated tax allowances in 1963. For firms located in Development Areas (Districts), in addition to 30% investment allowances, 100% initial allowances or free depreciation on plant and machinery which enabled firms to write-off capital expenditure against tax at any rate they wished, which amounted to an interest-free loan were available.<sup>99</sup>

### Shift from tax concession to individual and regional grants

Under the Labour Government, the principle of policies for promoting industry seemed to shift from tax concessions to investment grants at differential rate by locations of industry.<sup>100</sup> The attempt to get tax incentives for Cornish mining was turned down with 113 in favour and 149 against in 1968.<sup>101</sup> Though Conservative Government abolished grants stipulated under Labour Government in the 1960s, it reintroduced initial allowances in different rates by areas because of harsh economic conditions in the early 1970s.<sup>102</sup> Then

<sup>98</sup> 'World Supplies of Tin', *Hansard*, 18 Mar. 1965, vol. 264.

<sup>99</sup> Wren, p. 53.

<sup>100</sup> Wren, p. 53.

<sup>101</sup> *WB.*, 28 Sep. 1967, p. 8.

<sup>102</sup> Wren, pp. 76-7.

under Labour Government in the mid-1970s policies based on regions such as Regional Development Grant and subsidies for individual firms became common as industrial subsidies in addition to such initial allowances.<sup>103</sup> Thatcher's Government decided to phase out such initial allowances in three years in 1984.<sup>104</sup> The debates on tax concession or accelerated depreciation went down gradually, and, instead, the grants or subsidies to the industry particularly under the controversial Section 7 of the Industry Act of 1972 which enabled the Government to give financial assistance to industries in scheduled areas, became major topics together with regional development policy. Partly this reflects the fact that, as the corporate taxes had been reduced, the benefit of tax concession became less effective. The origin of this idea was observed as early as in 1966 when investment allowances and initial allowances were replaced by investment grants.<sup>105</sup>

Accordingly, claims for state aid by Cornish mining also shifted to those for individual subsidies. As stated before, for the opening of Mount Wellington, Regional Development Grant was used. When the closure of Wheal Jane and Mount Wellington was announced in 1978 and over seven hundred miners were on the verge of unemployment, the possibility of applying for temporary unemployment subsidy was discussed in the House of Commons.<sup>106</sup> RTZ's application for assistance for resumption of Wheal Jane was made under the Industry Act, though Thatcher's Government which based on the principle of free market operation turned down the application. At the tin crisis Geevor and South Crofty applied for state aid individually to tide over the crisis and modernise the mines for long-term development.

#### 4. Main points of argument for state aid

Central issues in the debate on the Government assistance between Cornwall mining interests and the Government will be considered next.

##### Unique policy for unique industry

Cornish mining people and MPs who proposed assistance to the industry always based on this claim; unique policy for unique industry. Immediately after the War, following the discussion during the War, the debate on uniqueness of the metalliferous mining industry was taken place in the Westwood committee. The committee summarised the features of the mining industry which were claimed by the industrial side as follows.<sup>107</sup>

*Firstly*, there is usually a greater risk in mining because of uncertain nature of the mineral occurrence; for instance, the grade of the deposit may show unexpected variations, or working conditions may become more difficult. *Secondly*, there is the uncertainty about the life of the deposit. *Thirdly*, there is the risk of violent fluctuations in market prices. ... particularly metalliferous mining, past experience has shown that the risk of violent fluctuations is highest. *Fourthly*, there is usually a much longer and more costly development period in mining before profits earned. The committee admitted that there were differences between mining and other industries although the differences were of degree only. Among four features of the industry the

<sup>103</sup> Wren, p. 78.

<sup>104</sup> Wren, p. 156.

<sup>105</sup> Wren, p. 62.

<sup>106</sup> 'Cornish Tin Mines (Closure)', *Hansard*, 11 May 1978, vol. 949.

<sup>107</sup> BPP, *Report of the Mineral Development Committee*, pp. 72–3.

committee concluded that only the fourth one could be met by taxation measures of broadening the definition of pre-production capital expenditure. The first and the second features closely related each other and were reasons for claiming depletion allowances for wasting assets. But as stated above, the Government did not employ this principle, sticking to the real expenditure incurred for preparing mining operation. The third feature was, to some extent, common to other industries. Especially from 1956 to 1985 violent fluctuations were generally modified by the activity of ITC with a few exceptions.<sup>108</sup>

### **Importance to national economy**

Importance of Cornish tin mining for national interest also claimed together with the unique feature of the industry. During the period from the 1930s to 1945, non-ferrous metal mining's national importance was often told in terms of national security as shown in the previous essay.<sup>109</sup> After the War it was also told in a different manner emphasising world shortage of tin supply and the importance of domestic supply with saving currency for importing ores in the 1960s. In addition to above cited Wilson's speech in the Commons in 1961, in 1965 Lord Arwyn said in the House of Lords as follows.<sup>110</sup>

There is a definite danger of international allocations of tin rationing in the near future, and we in this country are in a highly vulnerable position. We produce about 1,200 tons a year and we consume 21,000 tons. This gap of 20,000 tons costs us at present over £25 million a year to import.

It is that 75 per cent. of world of tin supplies come from countries which must be regarded at present as politically unstable. I would also point out that there is a rapid depletion of the once rich alluvial deposits of Malaysia, Thailand and Indonesia, which together are at present contributing 63 per cent. of world production. And the progress of industrialisation in all producing countries could eventually lead to the consumption of much of their own tin production.

To this argument the basic attitude of the Government was clearly shown earlier in the already cited reply by Lord Mancroft saying that 'efficiency' should have been the first priority in considering the interest of whole economy of the country.<sup>111</sup> So, if there was a prospect for domestic mining to supply tin more efficiently than other countries, encouragement of tin mining in Cornwall should be taken place, but if not, no subsidies would be given as an industrial policy. Though this way of thinking was somewhat modified by the Labour Government, it seems to have maintained throughout the period of the observation. Therefore, the policy for this industry have been implemented within the framework of the general industrial policy and regional policy. There has been no specified industrial policy for Cornish tin mining except for occasional subsidies to individual firms.

### **Fairness**

Fairness with other countries and other industries were often claimed by tin mining people. Especially this was the basis of request for the depletion allowance, since other countries, notably the U.S.A., Canada, and Australia admitted this in their tax system. Mining people argued that this unfair taxation kept foreign as well as domestic investment away from their industry. To this the Government responded that the depletion allowance

<sup>108</sup> BPP, *Report of the Mineral Development Committee*, p. 73.

<sup>109</sup> Kudo, 'Cornish Mining during the WWII', pp. 13-4.

<sup>110</sup> 'World Supplies of Tin', *Hansard*, 18 Mar. 1965, vol. 264.

<sup>111</sup> 'Mining of Non-Ferrous Metals', *Hansard*, 18 Dec. 1956, vol. 200.

may have been effective in an occasion of acquisition of overseas mineral deposits or mineral rights, but it was not compatible with domestic tax system which based on historical costs, and therefore, it meant only a special grant to the industry even though mining people insisted it was a tax concession. The question as to whether this tax system deterred the foreign investment is difficult to answer. We only know the fact that Cornish mining attracted international mining interests under the favourable market conditions in the middle of 1960s and the late 1970s.

Fairness with other industries was sometimes referred to in the discussion. Before the War unfair treatment compared to coal industry was one of the central issues in the argument. But after the nationalisation of coal industry this argument was seldom heard from Cornish mining people. Cornish mining people had generally negative attitude to nationalisation of the industry though they welcomed the recommendation of the Westwood Committee to nationalise the mineral right.<sup>112</sup> Also, the Labour Government was not interested in nationalisation of metalliferous mining industry immediately after the War.<sup>113</sup> CMDA proposed Metalliferous Mining Corporation for mineral resources in the U.K. which was a public-private joint enterprise. In this enterprise, the state as a sole owner of mineral rights in the country was expected to be responsible for exploring mineral deposit and private companies were expected to be responsible for mining operation.<sup>114</sup> The proposal was not accepted. Differences in the treatment of this industry from other industries were sometimes taken up as examples of unfairness. On the other hand, the Government sometimes refused special treatment for metalliferous mining industry simply by virtue of fairness with other industries, that is, they could not reject applications from other industries if they granted special aid to metalliferous mining industry.<sup>115</sup> It was the same reasoning as that before the War.<sup>116</sup>

### Unemployment

Before the War, the choice between industrial policies and employment measures was main topics in discussion about state aid. Cornish mining people insisted the need of the industrial policy by supporting mining industry, which was expected to employ more people, and, as a result, became a fundamental solution for unemployment. On the other hand, the Government took unemployment measures to moderate social discontent and, hopefully, to prod people to move to other industries (redistribution of human resources).

After the War, unemployment in Cornwall was still a problem but, as far as tin mining is concerned, for a while, shortage of skilled miners was acute problem as stated before. The minor recovery of Cornish mining attracted people to this county, and it came even to be said that mining was the best unemployment measures. Though there was still a lack of long-term policy for tin mining in Cornwall, the government and local governments agreed that the promotion of the mining industry would be necessary as a means of relieving unemployment in the short term.<sup>117</sup> Thus, critical point came in 1985 when some 6,000 people were employed in tin mining (directly 1,500), and related industries (4,500). If Cornwall lost tin mining, the unemployment rate of the county would rise from 20.3% to 27%. If Geevor

<sup>112</sup> *Corn.*, 18 Aug. 1949, p. 5, 9 Feb. 1950, p. 7.

<sup>113</sup> Owen, 'Industrial Policy', p. 50.

<sup>114</sup> *Corn.*, 5 Aug. 1948, p. 6.

<sup>115</sup> *e.g.*, Refer to above House of Commons debate in 1965.

<sup>116</sup> Kudo, 'Tin Mining in Cornwall during the Inter-War Years', p. 49.

<sup>117</sup> *WB.*, 1 Jul. 1965, p. 6.

closed, unemployment rate would jump to 40% in St. Just District.<sup>118</sup> There must have been something different criteria other than commercial viability for choosing RTZ's plan while turning down the Geevor's application; consideration for unemployment as Thoburn suggested.<sup>119</sup>

## 5. Concluding remarks

Prior to 1945, except for the special assistance in the wartime, the Government did take no action to promote tin mining industry in Cornwall based on a long-term industrial policy even though the mining side eagerly sought it and Departmental committees also recommended an assistance to mining.<sup>120</sup> After the War, a long awaited thorough investigation into the non-ferrous metal mining in the U.K. was conducted and its report was published. But, in the end, no recommendations in the report were implemented except a survey of mineral resources and some amendment to the definition of capital expenditure. This situation was not so different from the pre-war situation. Of course, unlike during the pre-war period, several assistances were made to the industry in the forms of accelerated depreciation, loans, and grants. But they were not directed to the tin mining industry itself but to industries in general within the framework of general industrial policy and regional development scheme. The mining interests claimed a tax concession, *i.e.*, depletion allowances or a tax relief, based on the unique features of the industry. The Government declined introduction of depletion allowances or a tax holiday because it meant a special aid to one particular industry. Before the War in order to get specific state aid Cornish mining people insisted the uniqueness of the industry as strategic importance of domestic tin, and after the War they insisted uniqueness of the industry as contribution to the balance of payment, and risky and costly feature of the industry. But, both before and after the War, this claim has never been accepted by the Government. This might have been a natural consequence when the supply from domestic tin mines was only 2 or 3% of the U. K.'s total tin consumption or when, like in the period before the War, there were several cheap suppliers of tin within the British Empire. But, even in 1983 when the production of domestic tin mining reached 40% of the total tin consumption, the claim was never accepted.

When the tin crisis came in 1985/6 the Government was slow to act despite the Departmental committee urged it to act promptly because 'tin mining is worth saving'. Unlike financial assistance to tin traders, it examined the projects proposed by two mines in Cornwall on the 'commercial viability' basis individually not for whole Cornish tin mining industry. It cannot be denied that it seemed an ad hoc measures.

Tin mining in Cornwall became a marginal producer in the world production by the beginning of the 20th century. Also, in the mind of policy makers it continued to be as a marginal industry after the War. Despite a major resurgence in production, Cornwall's tin mining industry has come to an end as a marginal producer.

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<sup>118</sup> BPP, *The Tin Crisis*, Vol. 2, p. 5, for employment of mining companies, p.169.

<sup>119</sup> Thoburn, p. 167.

<sup>120</sup> Kudo, 'The Mining in Cornwall during the Inter-War Years', pp. 33-41, 44-9.

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