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INTERROGATION NO: 15

PLACE: Tokyo
DATE : 5 October 45

Division of Origin: Basic Materials

SUBJECT: Coal Production, Distribution, Consumption
and Control

Personnel Interrogated:

TAGUCHI, Y. - Chief Engineer, Coal Section,
Fuel Bureau

UYEMURA, Kogoro- Chief Director, Coal Control Assn.

KUNISAKI, M. - Vice president, Japan Coal Co.,
also separately Oct 8.

Where interviewed: Room 252, Dai Ichi Building (GHQ)

Interrogator: Lt Condr D. A. Burr

Interpreter: Lt (jg) W. Gorham

Allied Officers Present: Maj J. Brickett, Mining Division,
Economic Scientific Section, GHQ.

SUMMARY: First discussion of general field of coal pro-
duction, importation, distribution and consumption,
with emphasis on control mechanisms created since
1937.

1. Condition of industry at end of 30's.
2. Creation of distribution monopoly -
Japan Coal Co.
3. Creation of Coal Control Association.
4. Major causes for wartime shortages.
 - a. Condition of mines.
 - b. Labor shortage
 - c. Materials shortage
 - d. Transportation and handling
facilities. Routes abandoned
and changed because of submarine
attacks.
5. Priorities established.

INTERROGATION

JAPAN had an overproduction of coal during the depression years of the early 1930's. At that time, according to Mr UYEMURA, there were many independent small mining concerns in addition to the large Zaibatsu-controlled corporations. In an effort to achieve low-cost production to meet depression prices, most companies adopted short-sighted mining expedients which were later to result in one of the chief hindrances to increased production. (see below).

Prior to 1940-41, governmental control of actual production and distribution of coal was limited to various licensing and supervisory measures incident to enabling miners to exploit the coal reserves, all of which belong to the State. A cartel had been formed by the larger mining interests, the Federation of Coal Mine Owners, which was interested in price stabilization and limitation of production. Distribution was also largely in the hands of another branch of the same cartel organization, the Showa Coal Company, established in 1932. A de facto monopoly existed, though it was supposedly extra-governmental. Government supervision was exercised through the Coal Section of the Fuel Bureau of the Ministry of Commerce and Industry.

In 1939 the first critical coal shortage occurred as a result of a deficiency of rainfall which called for increased use of thermal electric power generating plants, and the following year the first major extension of governmental control took place with the establishment of the Japan Coal Co. (Nippon Sekitan Kaisha) under the Coal Distribution Law of 1940, succeeding the Showa Coal Co.

Japan Coal Co had an authorized capital of Y 100,000,000 with Y 50,000,000 paid in, of which half was subscribed by the government and half by the mining interests.

The company was given a complete monopoly over distribution and sales of all coal, produced or imported; production of mines and imports were bought at prices which were determined on a cost-plus basis for the individual producer; sales prices were frozen as of 1 April 1942 level. Difference between purchase and sales prices at present time amounts to an average of Y 35 per ton. Personnel of the company were for the most part carried over from the predecessor Showa Coal Co.

During the period 1939 to 1943, the Coal Company was chiefly an instrument for absorbing the difference between rising production costs and fixed sales price, and most sales were only paper transactions with the coal turned back to the big mining and importing interests.

Beginning in 1943 the power and operation of the Company were greatly expanded by regulations devised by the Ministry of Commerce and Industry (Later Munitions). As supplies became more critical, allocations gained in importance, and the Company became the active instrument in executing the allocations policy. Coke sales came under the Company for the first time in 1943. Only the production of a few mines directly owned and operated by the Army, Navy or government, estimated for 1944 at 700,000 tons, was outside its scope. Records of this production may be available at the Fuel Bureau. Japan's few captive mines of steel and other industries were nominally under the Company, but the coal was invariably resold directly to the owner. Eight local subsidiary corporations (Chiho Sekitan Kaishas), 40% owned by the Japan Coal Company, handled local distribution to consumers of less than 20,000 tons of coal or 500 tons of coke per month. Large consumers purchased directly from the Company.

The Company rented its handling facilities until 1943, at which time it began to buy out other handling concerns. No transportation facilities were owned, though, occasionally the Company would charter colliers and barges.

Operations costs of the Company were to be covered by a commission of .55 Sen per ton handled; no other guarantee of profit or interest on indebtedness existed. The Company generally covered fixed charges until 1944, as did the local subsidiaries. The Company would occasionally extend loans to producers but did not invest in their securities.

The second step in rationalization was the establishment of the Coal Control Association of Japan, on November 26, 1941, which supplanted the Federation of Mine Owners, with the same membership. The Association was given complete power over all phases of operation of all mining companies, its president reporting directly to the Minister of Commerce and Industry or Munitions. It was responsible for obtaining maximum production, and to this end was empowered to force mergers of companies, opening or closing mines, transfer of labor or equipment, and supervision of sales to the distribution monopoly. Its orders had the force of law, but according to the officials interrogated, the Association was generally considered more of an organization of mine owners than as a part of the government. Its rulings could theoretically be appealed to the Minister of Commerce and Industry (or Munitions) but to the knowledge of this group there was never an instance of such an appeal. The Association often served as arbitrator between producing companies.

Through its five departments: Engineering, Materials, Labor Allocation, General Affairs, the Association controlled all phases of mineoperation and development.

Quotas for production were always set by the government at figures above capacity, and demands of the companies for labor and materials always exceeded supply, so that the Association was largely concerned with adjusting discrepancies. According to Mr. Yemura, one of the Associations major problems was to keep hours of labor down to a level which would not result in decreased efficiency. Many mergers were ordered, and during the war a great number of small-scale, inefficient producers were closed out, their equipment being distributed to more efficient operators.

Since 1941 there has been no significant change in the control set-up. The feeling of the group was that the Association had been hindered in its rationalization program because many powers theoretically given to it, especially in fields such as labor and materials procurement, in which there was competition with other governmental agencies, were actually non-existent, and it suffered from much interference, especially due to demands of the Army and Navy.

The cognizant ministerial agency remained the Coal Section of the Fuel Bureau, under the Ministry of Commerce and Industry until that ministry was taken over by the Ministry of Munitions in November 1943. In June, 1945, a separate Coal Bureau, independent of other fuels, was established in the Ministry; in August coal returned to the status of a section on the Fuel Bureau.

Coal producers were not included in the first group of industries named under the Munitions Companies Law in 1943, but were added four months later, largely at the insistence of the companies themselves because of the greater power such a status would give them in bargaining for labor and materials.

The major causes of Japan's critical coal shortage during the war were said to be the poor condition of the mines at the beginning, labor shortage, materials shortage, and transportation.

1. Condition of mines. During the 1930's, the coal fields and mines were abused through expedients to cut costs. Seams were not systematically developed, equipment was allowed to run down, investment in improved processes was abandoned. As a result, when maximum production was called for, much effort was needed to redevelop mines for efficient operation, and heavy requirements for equipment came at a time when materials were already tight.

2. Labor shortage. Drafts by Army and Navy seriously reduced labor supply. Since most skilled labor were alumni of compulsory service training, many valuable personnel were automatically called away from the mines. In the early years there was no deferment even for essential skilled workers; later only unskilled labor could be called up in drafts, but by then an acute shortage of even unskilled had developed. In August 1945 all mining labor was frozen. An additional problem for empire producers were drafts of skilled labor to be sent abroad to exploit mines in occupied territory. The Control Association lost jurisdiction over these specialists, as those mines were controlled by the GEA Ministry and the domestic coal organizations were only occasionally given meagre information.

3. Materials shortage was pressing throughout the war. Equipment was apparently in poor condition as early as 1941. In that year, the Control Association distributed 150,000 tons of steel for mining equipment; in 1943 the total had fallen to 80,000 tons, in 1941 to 40,000 tons. Allocation of steel, etc., for mining equip-

ment was made by the Total Mobilization Bureau. Not until 1945 was the Control Association able to deal directly with the manufacturer of equipment.

4. Transportation was "always the biggest problem". Water transport particularly has been short since as long ago as 1939.

Hokkaido shipment began to be disrupted early in 1944 by submarine attacks. In Aug 1944 the Kushiro field with 1,500,000 mt. production was shut down entirely due to its dependence on coastwise shipping which was halted by submarine sinkings, and shipments from Karafuto were stopped at the same time. No coal has been imported from Russian Sakhalin since 1933, according to this group. At present 2,200,000 tons of coal are piled up in Southern Sakhalin awaiting shipping facilities.

Most coal from Hokkaido was shipped to the Tokyo area eventually, and as shipping along the Pacific Coast was halted, main traffic was shifted to the ferry-rail link across Tsugaru Straits. This traffic enjoyed first priority and coal was moved satisfactorily except in winter of 1944-45 when snow conditions at one time held up 120,000 tons. The rail traffic was also supplemented by shipment from Hokkaido to Japan Sea ports (see under Handling Facilities below).

Kyushu coal moved to Honshu at an approximate rate of 500,000 tons per month, by rail, and 400,000 tons by ship, early in the war. By summer of 1945, however, the rail system had deteriorated by wear and urban attacks that only 100,000 tons were shipped. The Kammon tunnel was opened in the Spring of 1943, and was planned to handle 7,000,000 tons annually. The second track was opened in October 1944. Rail traffic in its neighborhood was never seriously interrupted. By Sept 1945 shipments by water declined to 150,000 tons, due to

mining, lack of oil for larger colliers, and failure of small barge operators to stay on the job.

Imports from China and Manchuria enjoyed first shipping priority until the winter of 1944-45, when food took first place. Beginning in Spring of 1945, coal was sent by rail to the nearest Korean port, and shipping used only for the shuttle run. No coke was imported. Steel production was continued, at a serious loss of efficiency, despite reduction in imports of good coking coal from China and Manchuria.

Handling facilities were not primarily a bombing casualty. The extensive equipment in the Tokyo-Yokohama area had already been abandoned because the submarine threat denied the ports to large colliers. By the end of 1944 this equipment was being used only to transfer coal from railroad cars to small barges for local distribution. Movement of the facilities to the still-open ports on the Japan Sea was under consideration but never accomplished, and the equipment was almost totally destroyed in the later area raids. Osaka-Kobe and Nagoya facilities were only slightly damaged. All traffic except small ships was halted between Hokkaido and Honshu following destruction of ferries and facilities at Amori, Hokodate, etc., in the TF38 raids of June and July. 200,000 of the 300,000 ton traffic was stopped. Handling facilities were extremely limited at the Japan Sea ports, and at times as many as 30 ships were tied up awaiting unloading.

ALLOCATIONS AND PRIORITIES:

Allocations and priorities were decided by the Planning Board and the General Mobilization Bureau. Consumers would make request for allocation direct to the Fuel Bureau, usually through the particular industry's Control Association which screened requests. Requests were based on estimated requirements for semi-annual periods until

October 1943, and quarterly thereafter and submitted for each producer by the Control Association after consultation with various bureaus, etc., regarding available labor, materials, etc. The Control Association would then issue periodic quotas for production.

Allocations plans were supposedly on a quarterly basis but during the past 18 months were actually subject to almost daily changes resulting from special orders given to the Planning Board and the Fuel Bureau by the Army and Navy.

High priority was given to improve handling facilities in Western Japan after submarines practically closed Tokyo Bay in late 1943, but little was done.

Army and Navy demands, together with those of the Imperial RR and those of the thermal electric plants, were always supplied in full before further distribution was allotted. Thereafter available supply was allotted with general precedence: 1. Iron and steel. 2. Water-gas for industrial fuel (especially aircraft manufacture). 3. Synthetic oil and industry. 4. Shipbuilding and other heavy industry. 5. Chemical industry.

Coal for bunkering merchant shipping rose from 2,500,000 tons in 1942 to 3,100,000 tons (5% of total) in 1943, and dropped to 1,500,000 tons in 1944. This compares with a total of 4,700,000 tons in 1937. A large part of the drop is accounted for by the fact that much of the former shipping was taken over by the Army and Navy, and does not enter into later figures, as well as the tonnage sunk.

The fuel Bureau was recommended as source of figures on coal lost by shipping casualties and statistics on handling tie-ups in alternate ports.