The Glen Alden Story

INSTITUTE OF MUNICIPAL GOVERNMENT
WILKES COLLEGE
1958

FOREWORD

Is the coal industry dead? Is the Glen Alden Corporation in the coal business to stay? Was it the refusal by county officials to lower assessments on reserve coal the main reason behind the merger of the Glen Alden Corporation with List Industries?

These are just some of the difficult questions which may remain unanswered for some time. Since the original announcement of the merger, many other developments of major import have occurred. Some developments are related to coal as a resource and part of the fuel assets of the nation. Some are concerned with marketing and sale of anthracite. Still other news will affect the tax base in many communities in Wyoming Valley, and therefore the quality of the governmental services which these municipalities render to its residents and industry.

This paper was presented on April 22, 1959 at Wilkes College before the Luzerne County United Community Development Conference, a newly created organization in Luzerne County which has as its general objective the study of municipal problems with a view toward community betterment. The author, Tom Bigler, as Program Director at Radio Station WILK, has been a keen student of the problems of the coal industry. He has aired many of his views on the "Editor's Page" over the same station. He is, however, one of the few commentators who has long maintained a proper perspective of the declining anthracite industry by exhorting community leaders to plan for the future of the area both with realism and vision.

Hugo V. Mailey
Institute of Municipal Government
Wilkes College

FOREWORD

Is the coal industry dead? Is the Glen Alden Corporation in the coal business to stay? Was it the refusal by county officials to lower assessments on remote coal the sole reason behind the merger of the Glen Alden Corporation with List Industries?

These are just some of the difficult questions which may remain unanswered for some time. Since the original announcement of the merger, many other developments of major import have occurred. Some developments are related to coal as a resource and part of the fuel assets of the nation. Some are concerned with marketing and sale of anthracite. Still other news will affect the tax base in many communities in Wyoming Valley, and therefore the quality of the governmental services which these municipalities render to its residents and industry.

This paper was presented on April 22, 1958 at Wilkes College before the Luzerne County United Community Development Conference, a newly created organization in Luzerne County which has as its general objective the study of municipal problems with a view toward community betterment. The author, Tom Bigler, as Program Director at Radio Station WILK, has been a keen student of the problems of the coal industry. He has aired many of his views on the "Editor's Page" over the same station. He is, however, one of the few commentators who has long maintained a proper perspective of the declining anthracite industry by exhorting responsible leaders to plan for the future of the area both with caution and vision.

Hugo V. Mailey
Institute of Municipal Government
Wilkes College

THE GLEN ALDEN STORY

Tom Bigler

It has been our purpose to look at the Glen Alden story - not so much as an entity in itself, but as it illustrates the general problem facing the anthracite industry, and our community.

We all know that the industry is in parlous times. And that in contrast to the not-so-long ago when it was the base of what essentially was a one-industry economy in this region, anthracite has been replaced by an industrial complex employing more people, paying more money, accounting for a greater share of our economy. Still, on the basis of figures released by the Anthracite Institute several weeks ago, it is obvious that the industry - even now - remains a most vital factor.

Last year, 1957, a bad year for the industry, found organized and non-union anthracite producers paying out in wages 124-million dollars. This does not include salaries or executive pay, nor does it include the share in payrolls paid to transportation and suppliers and other supporting segments of the economy. Some sense of perspective can be gained from the fact that it would take 55 industries the size of the Wilkes-Barre operation of Eberhard Faber to equal that 124-millions in payroll poured into our economy by the Anthracite industry last year. And those of you who have worked on the problem of bringing new industry into this region can best appreciate the task of attempting a replacement.

This is just one reason why consideration has been asked of just what sacrifices we might be willing to make to gain such new industries, and whether we ought to be willing to consider some reasonable effort on behalf of an industry already here. Well, Glen Alden's problems, generally speaking, are the same as those shared by all anthracite producers. The market has gone to pot. And it has gone to pot partly because we are in a "convenience" era.

While coal heating manufacturers may have developed automatic equipment comparable to that utilizing other fuels, it came too late to stem the shift.

This is not to say there is no future for anthracite, for there is. Apparently the future lies in some use other than as a fuel, and we have yet to stumble on that application. In the meantime, what has been a kinetic industry, now has become one of enormous but still untapped potential. In this interim period, producers of anthracite as a fuel, are caught in a squeeze. Nine years ago, more than 72-thousand people were employed in the anthracite industry in this region. Last November, there were only 25-thousand. Production figures show a similar decline. Anthracite tonnage last year totalled 23-million tons compared with more than 28-million tons in 1956; and the all-time high of more than 100-million tons mined in 1917. In fact, anthracite production last year was the lowest since 1878.

Understand, it was apparent in 1950 that the industry was in deep water and emergency procedures were instututed in an effort to halt the trend. In January of 1953, Glen Alden brought in a mining executive who had compiled a brilliant record with Anaconda Copper, Francis O. Case, to take the corporate helm. Within a year, Mr. Case achieved a 20% slash in overhead costs by reorganizing the company's wholesale setup and selling its retail outlets. Sales policies were revised drastically. Research into new uses for coal was begun and a program to rebuild demand among home owners and operators of commercial buildings got underway. By early last year, Mr. Case was able to report a 30% reduction in mining costs, in spite of the fact that miners' wages had gone up 33%.

At the same time, Mr. Case steered Glen Alden into reorganization as a corporation, and in two moves, used its assets to purchase as subsidiaries two diversified and profitable operations: Mathes Air Conditioning and Ward-La-France. As the parent company, Glen Alden could use the profits of these two firms to cushion its own losses and to provide income for further growth. In truth, a year ago at this time, the future looked good. So good that when the Maremont proposal broke to the surface, Mr. Case and a minority of the Board went into a successful proxy fight to prevent what was represented as an effort to grab the Glen Alden assets and leave the Anthracite operations high and dry.

However, by this time Glen Alden had become a recognizable fish in the sea. While it cast about for suitable industries to nourish it's corporate interests, the sleek fat of it's own tax potential made it attractive to other denzins. Late last Summer, List Industries moved in on the scene. As you know, List Industries bid for a block of common stock of Glen Alden Corporation, agreeing to pay a shade over the current market price for the stock, providing a certain minimum number of shares materialized. More than the minimum turned up and the end found List with 38% of Glen Alden Common, the largest single stock holder and in effect majority stock owner of Glen Alden. Now it is List that calls the tune.

List Industries is a legitimate holding company, it invests for profit, and it appears that Glen Alden's attraction lay in two nearly irresistable charms; the two subsidiaries were profit makers, and the anthracite operations held a tidy tax benefits package estimated to value more than what List paid for the stock.

List hardly could be expected to have the same proprietory interest in Anthracite that Glen Alden has and consequently the List management, looking at their new investment from their perspective, must concern themselves with either how to make the anthracite operation profitable too, or how best to get rid of it. The picture for them is not encouraging.

Glen Alden payroll in 1956 - 19½ million dollars, about half of what it was in 1950.

Glen Alden payroll last year - 15 million dollars, a drop of about 23% from 1956.

Glen Alden employees in 1950 - 12 thousand.

Glen Alden employees last November - 34 hundred-80; ¼ as many... and almost half of these were idle the last quarter of 1957.

Glen Alden production in 1947 - 9 million, 335 thousand tons; in 1957- 3 million, 453 thousand tons - a two-thirds cut in ten years.

Anthracite sales were off 12% in October; 30% in November. The shrinkage for November alone amounted to 745 thousand tons. Glen Alden, as of December 1st, had a quarter of a million tons of Anthracite above ground, washed, sized, polished, sitting in box cars, all dressed up and no place to go. Then there are production problems, the solution of which is beyond the industry's ability to cope. Mine flooding is one. Glen Alden currently pumps 65 tons of water for every ton of coal brought to the surface. Glen spends two million dollars a year on pumping alone. True, the Federal-State Mine Drainage program is underway to correct this problem, but Glen Alden officials estimate it will be another year before the program begins to relieve the present costly burden.

It should be noted here that scare stories to the contrary, the Glen Alden agreed many weeks ago to cooperate with the State and Federal Mine Bureaus in the pumping problem. Glen Alden officials agreed to a two-year term, and could go no further for the simple fact that they do not know what their financial ability and the market will be two years from now.

Another problem: Anthracite must mechanize if it is to compete with other fuels, or even if it is to enter such new fields as are now possible. However, the design and development of machinery for use in any specialized field is enormously expensive. The companies now manufacturing such equipment make it for those mining operations that are large enough to assure a return on the investment. For example, the Joy Manufacturing Company has made a fine automatic coal digger and other mechanized pieces for use in the bituminous industry. But, understand, bituminous is a 500-million to 600-million ton a year industry compared with the 25-million ton Anthracite industry. Glen Alden did make a sizeable investment in attempting to secure such equipment. But the amount it could invest was nowhere near that needed to cover the research and development to adapt a soft coal digger to a hard coal digger. Their attempts failed.

Another example of where mechanization is vital is in the preparation of the coal once it has been mined. Present methods result in a preponderance of large sized coal. The industrial market demands fine sizes - Barley, No. 4 and 5. The cost of reducing large sizes to the industrial size virtually prices anthracite out of the field. Yet, a market for fine sizes of anthracite in scintering is growing, a similar advances in other metallurgical fields could increase demand. But, to meet this market, the industry must have the digging and processing machinery which it is now beyond their capabilities to develope.

Another vexing problem is the growth of non-organized mining operations. The dog-hole miner, the one-shaft independent, most of them spawned by the destructive practices instituted by Philadelphia and Reading when they faced the same problem Glen Alden does now, have tended to take more and more of the available sales market. These independents pay little tax on the property they mine; wages are an unknown since they are not organized by unions; safety practices largely are ignored; royalties are unknown - in short, production runs at a far lower cost for them, giving them a tremendous advantage in sales. Their impact is indicated by the fact that last year, these non-organized independents accounted for almost one-fifth of the anthracite market. That could be the margin of survival for the organized, responsible producers.

So far, these problems are common to all coal producers and become greater only as the producer is larger.

But Glen Alden's unique and most glaring problem is property - it is coal poor. When the Glen Alden holdings were gathered, there was no horizon to the potentials of the industry. Glen Alden became and remains one of the largest if not the largest property estate, and mineral property. In a time of collapsing markets, rising operating costs, the tax burden has become, for Glen Alden, intolerable. In the past 7 years, the assessment of Glen Alden holdings were reduced by 25%, but each time the assessed value was reduced, the municipal millage was increased so that the total tax reduction over those seven years came to less than 10%. . . and when related to production, the tax per ton actually increased. Last year, Glen Alden paid approximately 50% of all local taxes by all local anthracite producers.

Specifically, on an assessed valuation of 37 million dollars, Glen Alden paid to the townships, boroughs, cities, school districts and the county, 2 million-400 thousand dollars last year.

The Glen Alden has made a point that on a per ton basis it paid approximately 63½ cents per ton compared with the 15½ cents per ton average paid by the balance of the industry. However, it should be noted that there is no comparison in the holdings of Glen Alden with that of any other company and that the difference in the per ton tax load is due, largely, to the vast reserves held by Glen Alden.

At any rate, under various pressures which now included a majority stock group that could and would insist that Glen Alden's coal operations stand or fall on their own, the time came to cut bait. Glen Alden officials took a number of desperate measures. Certain operations were curtailed, employees laid off, salaries and pensions reduced drastically, and a tentative start made to sell off some of the real estate. And moved to reduce the assessments and taxes, pushed.

It seems unlikely that Glen Alden officials were really surprised by rejection of their petition to the Luzerne County Board of Assessors. Yielding to Glen Alden's petition, a move that simply sought to transfer a problem from the Corporation to the governments, immediately would have opened the Board to demands, not only from other coal operators, but from other property owners as well. Too, consequences of a decision favorable to Glen Alden would have had such far-reaching impact in the County that the Board of Assessors would want far wider support than that inherent in their authority. Certainly such a reduction as that asked - 50% - would hit some of our municipalities very hard, particularly those communities where lax government had come to depend on Glen Alden taxes for the bulk of their operations.

However, it is apparent there are thousands of communities in Pennsylvania that must subsist on surface property taxes. And while it is true that the nature of our mining operations has been such that taxable surface development has been discouraged, it seems foolish to be unwilling to examine the possibilities of shifting some of the load. Foolish because regardless of what happens, it is within the realm of the possible that many may have to do just that. That it presents no insuperable obstacle is proven by the Scranton Story. Along this same line, much has been made of the problem that would face Hanover Township should the reductions be granted. A point might be made by examination of a table from the current Wilkes-Barre Publishing Company Almanac. Hanover Township is listed as having some 3700 taxable properties, which combined with coal properties gives the township a total valuation of more than 24 million dollars. By comparison, Nanticoke city with twice the population and yet only about 100 more taxable properties has a total valuation of about one-third that of Hanover Township. Now Hanover Township officials claim that any substantial reduction in Glen Alden taxes would be a disaster of the first magnitude for the Township government. Yet, in the past 5 years, Nanticoke has been paying off its bills and even accumulating a tidy surplus. What seems apparent here is that some prudent government might go a long way in making an adjustment.

What is needed before the public can consider absorbing Glen Alden's burden or that of any other anthracite producer, it seems to me, is a specific plan in which the mutual problems and benefits are distributed, recognized, and accepted by those who elect our officials, as well as by the officials themselves. Such a plan should cover programs for municipal tax adjustments as well as for the protection and utilization of properties affected, and should be the result of board-base public planning. This last is imperative, of course, regardless of the future of the anthracite industry.

One of the possibilities open to Glen Alden, in view of its particular problem, is that of placing the firm's mineral deposits in trusteeship. We have been led to believe that Glen Alden officials take this proposal seriously, that it was in the process of committing a deed under which the county would receive trusteeship under which Glen Alden in the future would have no more right to the coal than anyone else, when it was discovered the County Commissioners would not accept it. I also have been told for the commissioners that the proposal never was made formally.

However, I do remember this statement in an exchange with Mr. Case. He said: "I feel very strongly that the anthracite natural resources will be worth a tremendous amount to some future generation. It is a sad commentary on the present generation to realize that they are not willing to preserve such a resource." unquote.

Another of the prospects faced by Glen Alden, and which caused greatest alarm to us is that of leasing its properties to independent operators.

An independent operator, by virtue of his size has no interest in so conducting his operation as to have a sustained producer. He would be interested in gaining the maximum return within the minimum time. He would have no interest in what might result to surface properties. And for the result of this method to useable surface properties, we have only to look at Schulkill County.

Two recent developments have had a claming effect as far as Glen Alden is concerned. One is the assurance of Albert List that such piecemeal disposition of property is not under consideration now. The second has been the appointment of Harry Bradbury and Harold Wickey to top posts in the coal management segment. The principle experience of both men has been in the production of anthracite for marketing; hardly the sort of men one would draft to liquidate a business. The fact of their association with Glen Alden would indicate a determination to continue as a positive factor in the anthracite industry. Of course, this does not necessarily mean that the same scope or scale will be maintained. Indeed, evidence points to a considerably tightened operation.

At the very worst, this again offers the community time in which to consider moves assisting the industry to adjust to market changes, and to advance the public's stake in its own future.

For one, we might investigate the feasibility of accepting some of the mineral reserves to be held in trust for that future time when development of new uses and new equipment will open a whole new future for anthracite. For another, we might consider a taxing system in which the bulk of the levies would be placed on anthracite mined, and token levies on reserves. Still another would be a system of public and private financing of a long range research program under which new mining and processing equipment, and new uses for anthracite could be explored and developed.

Somewhere between the private and public interests seems to be the matter of protecting surface properties. For example, by giving assessment credit for coal left in place as support pillars. And we might explore other incentives to the industry that would result in protection to surface properties. On the public side of the ledger, we might consider planning municipal taxing and assessment programs in which mineral reserves play only a negligible part. Another is adoption of greatly toughened standards for surface support and liability in mining codes; stringent enforcement of comprehensive conservation practices; refill and reforestation of land despoiled by strip mining methods. Having had in the past few months, ample time to look at the prospects that would follow collapse of responsible mining activity, two general avenues seem open.

To seriously consider what sort of program could be accepted that would assist the anthracite industry in this adjustment period. And paramount, to realize that in the long run, it is the utilization of surface property, careful conservation and exploitation of our resources, that determines both the potential revenue of our governments, and the economic well-being of our community.

Of course, realization of most of these goals means that someone will have to build a fire under our State Senators and Representatives. For too long a time the public interest has been ignored while the concerns of the special interests who manage to make sizeable compaign contributions have been advanced.

The past two sessions of the state legislature have seen several measures introduced that would expand the public protection and interest. In one case, the bill cleared the House, but was watered into inanity in the Senate. In another, it couldn't clear even the House. Many constituents, we suspect, would be surprised to know what the voting record of their representatives on these issues is.

In all honesty though, perhaps we have the cart before the horse; perhaps it is the public under whom the fire needs to be built. When the public interest is clearly enough aroused that no amount of campaign contribution can overcome it, then perhaps we will get the sort of legislation we need.

At any rate, there would seem to be large areas here in which a thorough community or regional planning program could make a vital contribution to our future.

- - - - - - - -

ADDENDUM:

The question was asked: yes, but what about specifics, say, readjustment of the municipal tax structure. How does one go about getting this done? Frankly, that is an answer for which I look to this group.

Approaches readily apparent are the Pennsylvania Economy League and their great experience in studies of municipal tax structure. Then there is the Pennsylvania Citizens Association which recently held the first of a two-part Institute devoted to the problem of governmental structure and how to get it to operate on your behalf. In this realm, few organizations have had more successful experience than the League of Women Voters.

It seems to me that, theory and philosophy to the contrary, most of our government is done by and for minorities; minorities who are vocal, have a case, and the devotion to persevere.

Admittedly, it is a hard road. Sometimes it appears that the legislature, whether it be the community council, the state Assembly, Congress, or the General Assembly, lags the public. For example, before the Easter recess, most members of Congress were champing at the bit for a tax cut. Apparently their canvass of constituents at home revealed that the public desired a slow approach, wanted a tax cut left as the last urgent measure. It is true that our municipal government seems less susceptible to public opinion. To some degree this may be the fault of an appathetic electorate that time-after-time stay home in enough numbers to permit well organized machines to operate without hindrance. An example of the problem "how" might be the issue of sewage treatment. To a small, but vocal group of us, this has seemed to be a most obvious and simple need. Over the past five years, column after column of newspaper space, and broadcast after broadcast on regional radio and television stations, were devoted to the whole range of problems and solutions to this matter. With the exception of one newspaper, all other media gave full support to creating a public climate in which the issues would be understood, and hopefully, the responsibilities accepted.

But almost without exception, municipal governments remained hostile to the propositions. One can sympathize with the representatives. The matter of heavy investments and added assessments are never "popular". And in spite of the most earnest approach to public education, there was no public clamor for such improvements.

This seems to indicate an area worth examination. How do you get an aroused public? It seems that an enlightened and aroused public will be fundamental to any valid rehabilitation program our community undertakes.

45331