account. Between 1910 and 1915 the industry had not been free from serious difficulties. In 1913-14 there had been a series of failures, and the number of shoe plants in 1915 was reported as only 146, as compared with 180 five years before. It is estimated that in 1910 Canadian leather boot and shoe factories produced 12,980,000 pairs; in 1911, 13,980,000 pairs; in 1912, 17,300,000 pairs; 1913, 15,730,000 pairs; and in 1914, only 13,950,000 pairs.* At the beginning of the war the plants were not operating to anything like their capacity. Many firms were losing money while in the case of others profits were very small. For the industry as a whole the cost of materials represented more than 82 per cent. of net sales, leaving an inadequate amount for overhead expenses and return on capital investment. (As stated elsewhere, average profits in 1915 for a number of representative companies averaged less than one per cent. on turnover and only about one per cent. on capital.) A feature which should be noted is that in 1915 the value of output was only slightly greater than the capital investment (1.10) times, whereas, in 1870 capital had been turned over on an average of nearly five times per year; in 1890, almost twice; in 1900, 1.68 times; in 1905, 1.73 times; in 1910, 1.44 times; in 1915, 1.10 times; in 1917, 1.56 times; and in 1918, 1.39 times. Unquestionably the difficulties of the industry before the war were due largely to inability of each of the various plants to market a large output. In boot and shoe manufacturing, as in most other industries, the most successful concerns are those which have a large output on which a very small profit per unit will return a satisfactory percentage of capital investment. In this consideration lies an important justification for a protective tariff. By helping to reserve the Canadian market for domestic producers, it tends to enable the Canadian factories to increase their output. Increased output in turn means lower unit cost and also enables the manufacturer to operate successfully on a smaller profit per unit of product.

NO PROFITEERING

The war record of the industry is reserved for consideration later in some detail. As already stated, when the war commenced in 1914, boot and shoe manufacturing plants in Canada were operating far short of capacity. Lacking organization, there was a free bidding for Government orders at prices which did not represent an adequate return on investment and which in many cases meant an actual loss. Canadian manufacturers did not average more than a few cents net profit per pair on the 2,300,000 pairs of leather army ankle boots, which they supplied at prices varying ,at different times, from $3.66 to $5.90 per pair. Prices paid by the Dominion Government to the manufacturers here were substantially lower than hose paid by the United States for similar footwear made in the United States and orders for heavy trench boots were executed by Canadian shoe factories at prices even lower, in some cases, than were being paid in the United Kingdom for a comparable product. Every soldier in uniform in Canada wore made-in-Canada boots while in training and also every Canadian soldier who went overseas wore boots produced by Canadian labor in Canadian factories. Moreover, the Canadian-made trench boot was accepted by the British authorities for active service and orders were placed in the Dominion for Imperial Stores account.

Even before the war Canadian shoe factories were producing high quality, thoroughly reliable, footwear which compared favorably with that imported from the United States. War conditions, despite the difficulties which they brought, gave a decided impetus to the manufacture of fine shoes in this country. In pre-war days comparatively few of the Canadian factories were producing a range of widths comparable with those offered by United States producers. As the slightly increased protection in 1906-07 encouraged the Canadian manufacturers to offer effective competition in the finer lines of shoes, and was partly responsible perhaps for the marked improvement a few years later in the character of Canadian made boots for men, so the war tax and rapidly advancing prices in the United States gave Canadian manufacturers an unique opportunity and resulted in a marked development in the manufacture of widths as well as improvement in style and finish. In a subsequent section import statistics will be analyzed and prices of Canadian made and United States made boots and shoes of like quality compared. It is only necessary here to state that with the exception of certain ultra-luxury specialties, Canadian boot and shoe factories today are producing footwear equal to the best that can be imported, and at prices which in many cases are lower than prices abroad, even without considering the duty.

PRESENT CONDITIONS

The twenty shoemakers of 1667 were simply the forerunners of something like 160 factories today, capitalized at close to $35,000,000, paying over $10,000,000 in wages and buying materials worth more than $27,000,000, annually, much of which is produced by other Canadian industries employing Canadian labor. The net factory selling value of leather boots and shoes produced in Canada annually is now between $46,000,000 and $50,000,000. Even at present prices, however, the average production per establishment is comparatively small, being around $300,000 annually. The average capital per establishment is slightly in excess of $200,000.

See Appendix 1.