PAPER MAKERS AND RESTRAINT OF TRADE

Federal Commission of United States Makes Report—Suggests Canadian Government's Co-operation

Competition in the selling of newsprint paper in both the United States and Canada has been prevented by the allotment of customers or by the non-interference by members of the News Print Manufacturers' Association, with the customers of any other member. This statement is made in the report of the Federal Trade Commission of the United States on the newsprint paper industry, a copy of which has just been received by *The Monetary Times.* The commission state that substantial evidence in their possession tends to show violations of the federal anti-trust laws by certain newsprint manufacturers who are members of the voluntary association known as the News Print Manufacturers' Association, with headquarters at New York. Its membership includes practically all of the Canadian manufacturers as well as all the United States producers except one large and a few smaller ones. About 86 per cent. of the effective production of newsprint paper of the North American continent is included in the association. The five members of the executive committee of the association, who, with the secretary, manage its affairs, speak directly for more than one-third of the total newsprint tonnage of the continent.

No Written Minutes on Record.

The organization has no articles of association and no by-laws. Its expenses are defrayed by assessments of members on the basis of tonnage output. Neither it nor its executive committee keeps any written minutes or records.

Ostensibly the association is organized for the collection and dissemination of statistics. Actually, however, its principal energies have been diverted to other activities. The evidence in the hands of the commission (consisting largely of correspondence between the active parties and of interviews) tends to show that the acts of the association officers and members have transcended innocent purposes and resulted in substantial suppression of competition and restraint of trade.

It was elicited at the recent hearings before the commission that allotment of customers and business exists in the present organization of the trade.

Few Instances of Competition.

As a result, and as the evidence shows, except where newsprint mills have ceased to make newsprint paper and have thus left their customers in the open market, or where occasionally a mill not in the association has made a lower price to obtain a needed customer—there have been very few instances of competition in selling in the newsprint paper industry. In fact, so few are these cases that each is known and referred to by name in the trade. Such instances of competition of any size as did occur were either arbitrated or apologized for and promises of non-repetition demanded and made.

The effect of these practices appears to be the undue enhancement of prices to small publishers and a widening of the disparity in prices charged the customers of different mills.

By the surrender pro rata of customers to absorb the tonnage of new mills as it comes on the market, such new competitors have been prevented from selling any paper in open competition.

Suppression of Competition.

The power of the association entirely to suppress the threatened competition of new mills has been exercised in at least three instances. The Price Brothers' mill and the Abitibi mill, of Canada, are both large, new and efficient mills and therefore potentially powerful competitors. The customers required by them, in order to keep their production off the competitive market, were surrendered to them pro rata by members of the association, so that substantially no tonnage therefrom came into the market as competitive. Successful efforts were made to prevent competition from the tonnage of the Union Bag and Paper Company's new newsprint mill at Three Rivers, Quebec. Its tonnage is to be sold through the Canadian Export Paper Company.

It is apparent that there is no necessity for any price agreement under any scheme of allotment either of customers or of territory among the various producing units when such division of business is respected. Each producer is then at liberty to charge his customers whatever the traffic will bear without the restraining influence of competition. Particularly are such schemes effective when, as in the present situation, all overseas importation of paper is cut off.

Curtailment of Production.

In 1915 the association attempted the curtailment of the production of those engaged in the manufacture of newsprint paper. It has also endeavored to prevent existing producers from increasing their facilities for production.

On the latter point, although the secretary, at a meeting in Montreal in October, 1915, stated that:—

"We were on the verge of a revival of business such as has rarely before been experienced in this country."

and that—

"I stated to those who were assembled at the Montreal meeting that it appeared to me as if prosperity was knocking at our door,"

yet, notwithstanding such knowledge or prediction, efforts were continued throughout that month to prevent one company from putting in a new machine for the manufacture of newsprint, even to the extent of attempting to buy certain water power, "so as to stall his plans of putting a paper mill in there." This is the language of the person who made the attempt.

Canadian Joint Selling Agency.

The Federal Trade Commission report deals at some length with the Canadian joint selling agency, reference to which was made at the recent Canadian government investigation at Ottawa.

On August 15, 1916, a charter was granted to the Canadian Export Paper Company, of Montreal, with an authorized capital stock of $500,000. The form of contract for subscription to stock in that company shows that each paper-manufacturing company, by subscribing thereto, agrees to place in the hands of the Canadian Export Paper Company, the sale of all of its newsprint paper tonnage (except that sold in Canada) and that the proceeds of such sales should be prorated among the constituent concerns.

Five Canadian concerns, the Laurentide Company, Price Brothers, Belgo-Canadian, Donnacona and Brompton Pulp and Paper Company, are members of this export company. It is expected that other Canadian mills will become members or put their tonnage at its disposal, and the export company will sell "as though it were the product of one concern" the total export tonnage of its constituent members or principals, all of whom are normal competitors, and whose aggregate output comprises more than one-third of all the newsprint paper produced in Canada. In 1915 about 75 per cent. and in 1916 about 77 per cent. of the total Canadian output was imported into the United States.

One-Third of Canadian Tonnage.

The sales agents of the Export Paper Company have already been active in the United States. Through this joint agency that competition, if any, which previously may have existed or which might now normally exist between the member concerns in bidding for trade in the United States has been entirely suppressed.

The correspondence shows that the secretary of the association urged the formation of this company and that the constituent companies are also members of the News Print Manufacturers' Association, and that the Laurentide Company is represented on the executive committee of the association. The possible results of the control of one-third of the total Canadian tonnage through the executive committee of the News Print Manufacturers' Association in diverting such supplies from the United States and artificially starving the domestic market can easily be appreciated.

Substantial evidence of other activities tending to restraint of trade or in aid or furtherance of such restraint is also in the hands of the commission. This evidence may be summarized as follows:

Evidence of Trade Restraint.

(a) Two campaigns among the newsprint manufacturers were prosecuted through the secretary of the News Print Manufacturers' Association, urging that such manufacturers take steps to show general and large increases in costs as a justification for proposed sharp advance in prices. The first campaign, in the winter of 1915-16, apparently failed to make the desired showing. A number of mills answered that there had been no particular increase in costs or that if slight