

## AFFAIRS OF THE CANADA WOOLEN MILLS.

At the request of some of the shareholders of the Canada Woolen Mills, Limited, John F. Morley, for years the successful manager of the Waterloo, Ont., Woolen Mills, and for a time general manager of the company which combined the five mills forming the Canada Woolen Mills, Limited, prepared the following review of the company's affairs from the time of its formation, and gives his views of the causes leading up to the present embarrassments:

It was in the summer and fall of 1899 and early in 1900 that the arrangements for the amalgamation were made. At this time the price of wool and woolen stocks advanced to as much as 30 to 40 per cent. over what they were a few months previous. It was agreed that all stocks purchased before the advance should be taken over by this company at invoiced price, with freight and interest added. At stocktaking I found that most of the stock was purchased at the advanced price. We, therefore, started out with a very high priced stock, with no corresponding advance in our goods. Wool merchants will bear me out in stating that there never was a greater fluctuation in prices, in their experience, than occurred at the time of our formation and the ending of our first year. Most of the stock was taken over at the top of the market, and at the end of the year there had been a drop of fully 33 per cent., and stocks were taken at the low prices then prevailing, regardless of cost.

At stock-taking we showed a total loss of about \$100,000, the bulk being at Hespeler and Carleton Place.

In order to account for this it will be necessary for me to go into details at these mills. As you know, the arrangements were that Mr. Brodie be given full control of the Hespeler mills, and myself control of the others. At the Hespeler mill, the first few months after starting, Mr. Brodie purchased altogether beyond the requirements of the mill. Consequently part of it had to be transferred to our other mills, and these mills had to share part of the loss, shown at stock-taking. I estimate that we lost, with the stocks on hand and these purchases, fully \$75,000.

At Carleton Place considerable loss was also sustained by our having to work up the odd yarns into job goods at both mills. A further loss was caused by our running the mills while extensive alterations were being made, but as we were anxious to keep the help together and to get the goods on the market this was done. In addition to this Carleton Place was made to show a greater loss than they actually had, because a part of the loss made by the Maple Leaf mill was charged to these mills.

Without going further into details, I estimate that our loss for the first year can be accounted for in this way:

Loss, shrinkage in values.....	\$75,000
Samples, etc. ....	5,000
Manufacturing .....	20,000

The loss in the samples was caused by our having to buy them over from the old companies, but not taking them in stock at the end of our year.

After the ending of our first year I could see that I would never be able to get the mills into a satisfactory shape unless some changes were made. All the objects for which this company was formed were being lost sight of, the main object being to reduce the lines and confining each to its own. I would visit the mills, and find cuttings of exactly the same thing in all of them. There was no system in our selling department. Instead of the mills controlling the agents, the

agents were controlling the mills. The Maple Leaf department was causing no little trouble, so I advised the directors to get rid of it. Also to remove the head office to Waterloo county, where the bulk of our manufacturing was done. If this were done, I had hoped, with the assistance of Mr. Davidson and his office staff, to have been able to produce some order out of the confusion into which our agents were dragging us. I spoke to the directors about these matters again and again, and both Mr. Brock and Mr. Long advised me to get rid of the Maple Leaf department first, and not try to make too many changes while crossing the stream. In this way I was defeated in my objects. I had no control over the agents, and the mills were constantly being dragged into trouble. Some people may be of the opinion that an agent's whole duty is to sell goods. We are dealing with an intricate and complicated business. An agent can help or ruin a mill. In our case we had four or five agents giving advice to each mill. Our samples are furnished in sheet form, with from twenty to thirty patterns in each sheet, and it is expected that an agent will confine himself to a few patterns in each line. If this be done, the agent can help the mills; in this way he succeeds in getting a number of houses on the same patterns; and if we succeed in getting even half a dozen houses on the one pattern, and each orders only one piece, it gives the mill a fair run, with fewer overruns at the end of the season. Instead of standing by the patterns submitted to them they were constantly substituting patterns from one line to be made in another. To illustrate the troubles this leads to we will take our frieze trade: Take two lines, one at 60 cents, the other at 75 cents. The 75 cent line is selling very well, but a buyer comes along who hopes to get an advantage over other customers buying this line, and he orders a number of shades out of it to be made in our 60 cent cloth. The order is sent in, the goods are made, but do not turn out like the original because the stock used is inferior to that which is in the cutting given out of the higher line to the customer. The goods are sometimes returned as not being up to sample. The mill not only finds itself with the goods on hand, but also the different shades of yarn and batch-ends.

The salesman from a mill who understands the difficulties this leads to would never accept an order of this kind. Our agents were constantly leading us into these difficulties. My whole second year was put in under a strain of almost constant annoyances. I could see that the only hope for success was to get a salesman for each mill. This I recommended to the directors, but not before I had tried and failed to get our head office away from our agents, so I could be at the mills and have some control over our own business. Toward the end of my second year I wrote both Mr. Brock and Mr. Matthews, explaining as fully and carefully as I could the difficulties, and sent copies of the letter to all the directors, except Mr. Eaton, who, I understood, was sick at that time. Mr. Randall, Mr. Long and Mr. Benson approved of the recommendations I had made, and wrote me to that effect. I thought these recommendations would be brought before the Board and carefully considered. Mr. Brock came back from Ottawa with Mr. Kendry practically engaged; and my recommendations were never considered.

If you believe that the agents are not the cause of our trouble, consider the following: I left Waterloo, where I had full control for twenty-five years, had the confidence and respect of all the directors; and I succeeded in making a success of that company. Mr. Millicamp will admit that we stood at the head of all the mills in Canada on our class of goods. Why did I fail when I took the management of this company? Simply because I lost control of the agents, and the agents tried to control the designers in the mills.