Protection—Destroyer of Life

The evil of the Protective Tariff does not stop at high prices, but its results are seen in the corruption of public life and in the destruction of property and often of human life—The Cement Merger as an Example

The death of two men who were killed by the fall of the roof of the Canadian Fairbanks building, at Winnipeg, on September 7, has been laid at the door of the cement merger. The city building inspector and the engineer in charge of the work both gave evidence at the inquest that the accident was caused by the inferior quality of the cement, and the engineer, Mr. G. H. Archibald, attributed the poor quality of the cement to the methods adopted by the merger. Before the merger was formed, Mr. Archibald said, a builder could select his favorite brand of cement and always use the same kind. He knew exactly how to use the cement so as to get the best results, and he could always depend upon the material supplied. Since the formation of the Canada Cement Co., however, the cement from the plants situated in different parts of the country was shipped to Fort William and sometimes was mixed there, with the result that cement of varying qualities and characteristics was received by the builders. Mr. Archibald showed the jury a sample of the concrete which fell upon these two unfortunate men and crushed them to death, and said that in his opinion it was of poor quality compared with the general average. Building inspector Rodgers examined the concrete, and said it was of a limy nature and lacking in bond. The accident, in his opinion, was to be attributed to the poor quality of the cement.

Other accidents of a similar nature have occurred. This is certainly a very serious condition of affairs. Cement is very largely used in modern building and it should be criminal to manufacture and sell cement that is of such a character that the buildings of which it is constructed may at any time fall and crush those who are about them.

Protection to Blame

The death of these two unfortunate men shows how far-reaching may be the effect of protectionism and men's selfish greed. The people who formed the cement merger, Sir Max Aitken, M.P., Senator Edwards, and the rest did not anticipate when they were planning their big coup that two poor workmen in Winnipeg would be crushed to death and their families deprived of the bread winner as a result; but the evidence given at the inquest proves that the merger was responsible for this calamity. And without the protective tariff such mergers would be impossible.

For Profit Only

The object of those who organized the cement merger was purely and simply to make big profits. The production of cement was a profitable business before the merger was formed. There are deposits of cement at a number of points throughout Canada; there is a demand for cement all over the country, and good profits were being made by a dozen different companies, which were producing a good article and getting a good price, receiving ample protection from the tariff. There was, however, a certain amount of competition between these companies, and in 1908, when there was a time of comparative slackness in business in this country, the price of cement came down very nearly to the cost of production. Seeing their profits reduced, some of those having large interests in the manufacture of cement determined upon a merger which would place the control of all the cement manufactured in Canada in the hands of one company and so eliminate price cutting competition.

The Company's Prospectus

The mergerers made no secret of the objects which they had in view, and the prospectus which was issued by the banking house in London having charge of the flotation included the following statements:

"With regard to the constitution, objects and prospects of the company, our Canadian correspondent informs us, under date of the 10th inst., that the cement industry in Canada has grown up within a comparatively few years and shows signs of great expansion, with the result that several plants were recently installed, but owing to financial difficulties consequent on the panic of 1907, a cut-throat competition in the sale of their product was started amongst the weaker companies. Cement is a product which, owing to its weight, will not stand much expenditure in the shape of freight, and consequently it was realized that if reasonable control could be insured along a chain of plants extending from the Atlantic to the Rocky Mountains, and a more efficient organization instituted to regulate the distribution of the manufactured product to the centres of consumption, more economical selling conditions could be insured, and the operating cost could thus be reduced.

"According to the returns made to the Dominion government, the average price of cement in 1906 was from $1.65 to $1.70 per barrel. In 1907 the average price was about $1.60, and the lowest price ever reported by Canadian mills was $1.39 in 1908, a year of extreme industrial depression. The price in New York on the 10th inst. was $1.50, and assuming a selling price of $1.20 and allowing for a sale of 4,000,000 barrels, which is the estimated demand for this year, a profit of $2,000,000 may be anticipated."

To Kill Competition

It will be seen that from the outset it was the intention of the company to so control the business as to put a stop to the "cut-throat competition" which had produced the low prices of 1908. The prospectus, it will be observed, estimates a net profit on an annual sale of 4,000,000 barrels of $2,000,000, which would provide three-quarters of a million dollars for division in the form of dividends upon the common stock, which was nothing but water. This is equivalent to a net profit of fifty cents a barrel. Inasmuch as the cost of cement at the factory never exceeds a dollar a barrel and often falls below it, the promoters of the merger were calculating upon a net profit of fifty per cent. on their output. Not many businesses yield such handsome returns. The promoters of the merger counted upon two agencies to enable them to reap these large profits. One was the fact that it would have a monopoly of the production of Portland cement in Canada, and the second was the high protective duty imposed upon cement by the Dominion government, which makes the importation of cement from other countries impossible except at much higher prices than rule elsewhere.

The duty on cement has been raised considerably within recent years. The tariff which was in existence when the Laurier government took office in 1896, pledged to a tariff for revenue only and with free trade as its ideal, imposed a duty of 40 cents per barrel. In the revision of 1897 this was replaced by a duty of 12½ cents per hundred pounds, which at 350 pounds to a barrel, made the duty 43¾ cents a barrel. In 1907 an additional duty of 20 per cent. was placed upon the bags in which cement is imported, and this brought the rate of duty up to 51 cents per barrel. On the basis of a barrel of cement costing $1.00 to manufacture in Canada, this is equal to an ad valorum duty of 51 per cent, a most exorbitant rate of duty, but only just one per cent. more than the Canada Cement Co. declared the merger would be able to earn on its output.

The merger was organized in much the same way as other mergers in this country; in fact the same financial genius that floated other similar companies, Mr. W. M. Aitken, now Sir Max Aitken, M.P., took charge. Eleven companies with different plants throughout the country from Quebec to Calgary were included, arrangements were made to purchase their undertakings for $14,822,250 and a company was formed with an authorized capital of $30,000,000, of which $29,000,000 stock was issued. Of this 29 millions, about 15 millions was represented by the plants forming the merger, and the remaining 14 millions was "water," being common stock which represented no investment of capital, but which is selling on the market at present at about $22 per $100 share, its value consisting in the prospect of future profits, the dividends on the real capital invested being limited to 7 per cent. on the preference shares and 5 per cent. on the first mortgage bonds. Any profits which the company may earn above this will go to the holders of common stock, and naturally the object of the company is to make these profits as high as possible.

The Promoters' Share

The disposal of the common stock gives those concerned in the flotation of a merger a great opportunity to make a big haul for themselves at the outset. A portion of the common stock is usually given away as a bonus with the bonds or preference stock, but the promoters always manage to keep a handsome slice for themselves as compensation for their organizing ability. In the case of the Canada Cement Co., Sir Sandford Fleming, who was its first honorary president, states that Mr. W. M. Aitken, and his associates of the Bond and Share company, appropriated from $12,000,000 to $15,000,000 of the paid up capital securities of the company.

Out of this and other transactions of a similar nature Mr. Aitken made enough money to go over to England and become a member of the British House of Commons, and to make such a large contribution to the Unionist campaign fund that he is now called "Sir Maxwell."

The appropriation of twelve or fourteen million dollars' worth of securities of the company by Mr. Aitken did not altogether please some of the shareholders, and their grievance, coupled with a demand for restitution, was voiced by Sir Sandford Fleming, who resigned his position as honorary president of the company as a protest, wrote a number of letters to the other officers of the company and one to Sir Wilfrid Laurier, and finally sent copies of all this correspondence to a committee of the House of Commons which was considering a bill which the company desired Parliament to pass authorising the conversion of $5,000,000 worth of the preference stock into bonds. The facts were then made public, and members of the private bills committee announced their intention of having the matter investigated, but before this could be done the company withdrew their bill and for the time the matter was dropped.

The Public Concerned

It is said that whatever Sir Maxwell Aitken did was permitted by law, and that the scandal aired by Sir Sandford Fleming is a matter which concerns only the stockholders of the company. But where the public is concerned is in the fact that they have to provide dividends on a bogus capital created by the promoters of the company. In order to earn these dividends, the company as soon as it had secured a monopoly of the Canadian market for Portland cement began to boost prices.

The price of cement jumped almost immediately, at the factories, from $1 to $1.50 a barrel, and within three months the Canadian Union of municipalities were taking steps to petition the government to reduce the duty on cement in order to minimize the exactions of the merger. The record of the fluctuation in prices is eloquently set forth in the purchases of the city of Winnipeg. On September 10, 1908, the city of Winnipeg opened tenders for 50,000 barrels of cement. The lowest tender was 58.57c. per 100 pounds. On February 24, 1909, the city bought 20,000 barrels at 56.32 c. per 100 pounds. On July 8, 1909, 25,000 barrels were purchased at 50.57c. per 100 pounds. The merger was effected in September, 1909. When the city called for tenders in February, 1910, it received three tenders, all from agents of the Canada Cement Co., and the lowest price was 64.06c. per 100 pounds. In the following June 30,000 additional barrels were bought, the tenders again being by different agents of the Canada Cement Co., the lowest price quoted being 64.02c. Thus between the lowest price prior to the merger, of 50.75c. per 100 pounds, and the price charged by the merger within a year of its formation, there is a difference of 13½c. per 100 pounds., which works out at 47c. a barrel.

Farmers Hit Hard

Farmers, of course, can readily appreciate what the increased price of cement means to them when they lay a concrete floor in barn or stable, build a concrete cellar or foundation, or use cement for any of the hundred and one other purposes for which concrete is used on the farm. On four million barrels, which was the demand estimated by the Canada Cement Co., in 1909, the increased price which the public are called upon to pay amounts to nearly $2,000,000 a year.

In addition to this increase of price, we now have the testimony of the building inspector for the city of Winnipeg and a large user of cement, that the methods of business adopted by the merger to increase its profits have been the cause

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At the Dominion Fair, Regina, August, 1911