ONE OF THE INDUSTRIES AFFECTED BY THE OCEAN RATE COMBINE.

This is a picture of one of the most complete milling plants in the world, the Ogilvie mill at Medicine Hat, run by cheap natural gas. The capacity of this mill is 4,000 barrels a day. Running at full capacity the year round these mills will turn out for the markets of Canada and the world the stupendous aggregate of 1,200,000 barrels. As the average consumption of flour in an ordinary family is 200 lbs. per head, a year's product of this one mill alone would be enough to feed 600,000 people for a year. About half the output of this mill, or 600,000 barrels, would be lower grade flour mainly for export to Great Britain, upon which the shipping combine levy a discriminatory tax of 8¾ cents a hundred pounds more than upon wheat. The total yearly tax paid by this mill on a year's output of low grade flour, as against the less exorbitant rate upon wheat, would be $105,000. Other mills owned by this company are at Fort William. To supply wheat for these mills the company have 25 elevators in Saskatchewan and Alberta, and 120 elevators in Manitoba and Eastern Saskatchewan, to supply the mills at Fort William and Winnipeg. The elevator at Medicine Hat has a capacity of 600,000 bushels.

The Modern Captain Kidd

A Study of the Alleged Shipping Combine on the North Atlantic, and What the Canadian Government Should do to Regulate It

By JAMES JOHNSTON

THIS is the latest version of Old Cap. Kidd, known as the most picturesque freebooter ever known upon some parts of the high seas, notably the Atlantic. The old Cap. is dead and gone; though every little while the newspapers print stories of somebody who has discovered the location of one of his buried treasures that he looted from the merchant marine of long ago.

Now, according to the testimony of certain people well qualified to know, the exploits of Capt. Kidd, when compared to the operations of a certain modern buccaneer on the high seas of the North Atlantic in the year 1914, are scarcely worth chronicling. The buccaneer referred to is the ocean shipping combine, which is declared by common arithmetic to hold up the wheat producers of Canada to the tune of $6,500,000 a year. The said leviathan, it is claimed, also clubs the millers of this country into shelling out large amounts for the benefit, first of the ocean shipping combine, and second, the millers and farmers of Great Britain. Likewise, in order not to be any more partial and exclusive than Cap. Kidd, the octopus extracts from the pockets of Canadians who are neither farmers nor millers many thousands of dollars every year in increased ocean rates on all forms of merchandise.

THE Government of Canada, through the Premier and the Minister of Finance, have lately been made aware of the operations of this ocean-going octopus that decreases the sale price of Canadian wheat and flour by tucking on exorbitant increases in freight rates, and that increases the cost of goods imported into Canada from Great Britain for the consumption of the common people by similar increases on rates to this country. The evidence and the arguments are of great popular interest. They are interesting not only to this country, but also to the United States, whose Government has lately received a report from a shipping trust investigation, which states,

> "That the foreign and domestic shipping of the United States is so combined by agreements, pools and conference arrangements, that any attempt to dissolve the combination would cripple trade."

So the Government of the United States, it may be assumed, will do nothing to curb the octopus. Will the Government of Canada do anything to ascertain the truth about the alleged ocean freight combine? Perhaps. Or, rather—possibly. At any rate, last summer Mr. Drayton, chairman of the Railway Commission, was sent to Great Britain to look into this problem of ocean freight rates to and from Canada. Why was the chairman of the Railway Commission sent? Because there was nobody else to send. What did Mr. Drayton accomplish? Nothing; because the authority of the Railway Commission of Canada stops right where the three-mile limit from any Canadian port extends. True, the railways own and control a large bulk of the ocean steamships. We "point with pride" to the great systems that girdle the world with transportation utilities owned and operated in Canada. That's one of the ways we adopt to advertise this country. But though the Government long ago began to put a crimp in freight rates on land, the Railway Commission has nothing to do with freight rates on water and never can have.

The deputation that pointed out the iniquity of the ocean-going octopus to Hon. Messrs. Borden and White consisted of representatives from ten milling companies, several from other commercial interests and Boards of Trade, and eight farmer delegates from various parts of Ontario. They made no protest on railway rates. They said nothing about the one cent a bushel increase in inland lake rates. They said a great deal and in very incisive language about the increase on the ocean-rate for wheat, which was 4¾ cents a bushel in 1912 over the average rate of the previous five years.

They spoke with even greater vigour about the discrimination against Canadian flour, which amounts to 8¾ cents per 100 lbs. more than upon Canadian wheat.

They also spoke on behalf of the common consumer, neither farmer nor miller, who pays tribute in a rapidly increasing tax on goods imported into Canada from Britain under the British preference. It was a deputation from Tory Toronto's Board of Trade that in 1913 pointed out to the Minister of Trade and Commerce, who happened at that time to be in the country, how the combine works on imported goods:

> "That on westbound ocean freight such as crockery, hardware, woollens, carpets and linoleums the ocean rates had increased from 50 to 100 per cent. in five years."

Canadian lumbermen also object that the ocean rates on eastbound lumber have increased in the past three years from 50 to 65 per cent.

JUST how elastic the combined pouches are may be estimated in a general way when you remember that the total British trade of Canada last year was $310,000,000, on a large percentage of which the octopus had its innings one way or the other. Just how the bulge works on the Canadian people may be interestingly computed by a series of comparisons. The deputation in Ottawa told the Premier and the Finance Minister that the total levy on this aggregate of trade by the ocean-going combine makes it a piece of burlesque for the Government of Canada to have spent $220,000,000 on the National Transcontinental, to spend $50,000,000 on the proposed new Welland Canal, or to guarantee bonds of the Canadian Northern or to build a railway to Hudson's Bay. They did not say what they actually meant, which was,

> "That if the combine can't be prevented from tucking on the freight rates from port to port, then the combine should build the new Welland Canal and should bear a large share of the cost in constructing transcontinentals that carry the trade overland to and from Canadian ports."

But of course the idea of the C. P. R. paying anything to build the G. T. P. because C. P. R. steamships carry freight, some of which is hauled to port by the G. T. P., is too ridiculous for anything. And it is sometimes only when things get ridiculous that action is possible. Capt. Kidd was always ridiculous. The ocean-going octopus is ridiculous. The public do not know this. But the public are invited to know—because it will pay them to know.

If the eastbound freight rates are increased from 50 to 100 per cent. in five years—what in the name of political economy becomes of the poor old British preference? In most cases it disappears altogether. In the case of expensive goods, where the tonnage is a mere bagatelle in comparison to the value of the goods, the preference is but slightly injured. In the case of common goods, such as are quoted above, and which common people consume in large quantities, the B. P. is about as much use in reducing the cost of living as the proverbial snowball would be in putting out—don't mention it!

If the increase in one year of 4¾ cents a bushel on wheat takes from the Canadian farmer $6,500,000, probably this is worth comparing with what would happen in the case of free agricultural implements. Suppose a farmer raises a thousand bushels of wheat. What does he lose by the increase of 4¾ cents a bushel in one year? $47.50. That goes to the octopus from one farmer alone. The same farmer may have to spend ten to fifteen dollars more for a self-binder than he would under free implements. A good binder lasts, on an average, ten years. That means a dollar or a dollar and a half a year. And while he is raising Cain about this he cheerfully lets the shipping combine rob him of $47.50 in freight rates, which, heaven knows, were too high before the increase was tucked on.

If the Canadian miller has to pay a discriminatory toll of 8¾ cents per 100 lbs. more on flour ground in Canada than the farmer does on wheat raised in Canada, what is the result? First of all, why does the combine make the discrimination? Because wheat is easier to ship than flour and the combine would rather carry wheat. In fact, the combine will sometimes carry wheat "wide open" in order to fill out a cargo. How does this affect the Canadian miller? It sends the wheat out as wheat and lessens the output of Canadian mills, of which there are between 400 and 500 competitors in Canada. How does it affect the Canadian farmer? It takes out of the country all the bran and shorts which the Canadian farmer needs for feed. The bran and shorts don't come back. They never can. Who gets them? The British farmer. Does he need them? Yes. And it is therefore good business for the British Government not to put any crimp in this discriminatory rate on flour—because it helps both British labour and British agriculture—at the expense of Canadian labour and Canadian agriculture.

NOW, right here, there is something to be explained. Certain editors, notably those of the Ottawa "Citizen" and the St. Johns, P.Q., "News," have stated that the millers themselves are a combine and are guilty of devious conduct. They claim that high grade flour sells for $1.50 a barrel less in England than in Canada.

This question was brought up at the Conference. The Finance Minister was interested. The quotations under investigation were: Top flour, Winnipeg, $5; Montreal, $5.10; Halifax, $5.75; and London, England, $4.18 per barrel. Mr. W. A. Black, of the Ogilvie Company, speaking for the millers, explained that prices for top flour in Canada and Great Britain cannot be compared, because no Canadian top flour is exported to Great Britain. The London price, $4.18, applies only to lower grade flour, while the Canadian quotations are for high grade.

But it is estimated that the Canadian miller sells this lower grade flour for export at a lower price than he gets for it in Canada.

Why? Because if he doesn't he simply can't sell it in Great Britain at all. The British dealer will buy his flour from other countries, and at prices determined by the relative cost of milling in Great Britain. There is no Imperial sentiment for Canadian flour. The total output of lower grade Canadian flour can't be sold in Canada, even though we had ten times the number of unemployed in big cities to consume the product. If the Canadian miller is to get rid of this product at all he must export it at competitive prices. He must export it at a loss. The price charged in Canada for lower grade is the break-even price. There is no profit and no loss. The price charged in the old country is a losing price of twenty cents a barrel on the average. That is, the Canadian miller loses twenty cents on every barrel he exports.

HAVING disposed of this bugaboo, the deputation outlined a scheme whereby the Government might throttle the alleged ocean-rate octopus. This was:

> "That the Dominion Government enter into effective competition with the steamship pool or trust, or whatever it may be called by virtue of its operations, by inaugurating a line of government steamers plying to Atlantic ports."

In support of this suggestion, Mr. J. D. Allan, from the Toronto Board of Trade, recited some of his own experiences as a shipper. Mr. Allan is a heavy importer of raw furs and has to do his buying in more than one country in Europe. He produced bills of lading for goods bought in Milan, 400 miles from the