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FREDERIC NICHOLLS, *Managing Director.* J. J. CASSIDEY, *Editor.*

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UNDERVALUATION.

In January of the present year Messrs. Smith & Patterson, a mercantile firm in Boston, bought from the Keystone Watch Case Company, of Philadelphia, some 2,000 watch cases. Messrs. Smith & Patterson have a branch of their establishment in Montreal, which is in charge of Mr. A. A. Abbott, and these watch cases were sent to Mr. Abbott for sale. Before importing these goods, Mr. Abbott submitted samples of them to Mr. Ambrose, a Dominion appraiser, explained to him that they were a job lot which his firm had bought at greatly reduced prices, and that they were worth no more than the valuation he placed upon them. Being contented with this explanation, Ambrose expressed the opinion that the goods could be imported at the valuation named, and so they found their way into Canada.

In the meantime the transaction had been talked about considerably, the facts being pretty well known, and soon after the arrival of the goods in Montreal a special officer of the Customs, named Belton, swooped down and captured the consignment from Abbott upon a charge of undervaluation. It is said that the Government offered to relinquish the goods upon the payment of a fine, but this Smith & Patterson refused to pay, and

so the matter found its way into the Exchequer Court in Montreal.

The case came on for a hearing last week when the following facts were developed : Mr. Abbott testified that the regular list price for these goods in the United States was \$4.50 for open-face cases and \$5 for hunting cases, with a trade discount of 15 per cent. This was the American combination market price, and the goods could not be bought for less in that market. Mr. Sheppard, agent of the Keystone Watch Case Company, testified that the goods were of a style now unsaleable in the American market, and the reason why they had been sold to Smith & Patterson at the reduced prices was because they could not be sold in the United States on account of an agreement with the other watch case manufacturers, to the effect that they were not to be offered at cut prices in that country for a period of one year ; and a penalty of \$5 000 was attached to any violation of this agreement. When selling the goods, he understood that they were to be exported to Canada, for they could not be sold at that price to be consumed in the American market. The goods were known to the trade as "Cyclone" cases ; and although his company had abandoned the manufacture of this particular style of Cyclone cases, yet they were manufacturing an almost identical Cyclone case, the only difference being in the ornamentation. There was no change in the intrinsic value, name, or price (in the American market) of either old or new Cyclone cases. Mr. Ambrose, the appraiser, was a witness for Smith & Patterson. He said that he appraised the cases at what he considered a fair market value as a job lot. He took special care to ascertain their intrinsic value. In cross-examination for the Government, Mr. Ambrose stated that he had understood from Mr. Abbott that the goods could be sold in the United States, for consumption in that market, at the same price as that paid by Smith & Patterson, and that the bargain was open to all buyers. He inferred from Mr. Abbott's conversation that the goods could be purchased by anyone, at the price actually paid, for consumption in the United States, and his valuation was based upon this assumption.

There is this to be said of this affair : The Keystone Watch Case Company is a member of the Watch Case Manufacturers' Association of the United States. According to the rules of this Association, as existing at the time, these goods were sold to be exported to Canada, all the regular goods of these manufacturers had to be listed, including name, trade mark and price. These particular goods were so listed, as appeared by the catalogue and price list of the Association, for each and every month of the current year. It is claimed that these goods were of old and unsaleable style, and that the manufacturer had a right to sell them as a job lot at reduced prices. In December, 1890, the Association passed a law which was to be and continue in force for one year from that date, which provided that no cases which were then listed could be withdrawn from the list and sold as job lots for slaughter purposes in the United States, under a penalty of \$5,000. If, then, these cases could not be sold for less than list prices for consumption in the United States, such prices are the standard of value upon which Canadian duties are levied, for under any other system the customs would be liable to be defrauded, and the Canadian manufacturers of watch cases placed entirely at the mercy of over-stocked American manufacturers.