

not do unless we allow them to produce and to pay off their debt with the fruits of their production:

"My judgment, therefore, is that we should prepare ourselves for a period, not necessarily of hard times, but of tension, that will call for all the resourcefulness and enterprise we can command. I feel it will be a period that will witness on a considerable scale the weeding out of inefficiency, and place us under the necessity of cheapening our methods of production and improving the quality of our products. For this reason I attach great importance to the proposal that we should equip ourselves quickly and effectively for undertaking research work of every kind related to our resources."

GERMANS SOUGHT TRADE CONCESSIONS

Not Long Before War Was Declared, Germany Wanted to Drive a One-sided Bargain With Us

While the increase of tariff rates on raw materials, fuel, and factory equipment, and the assessment of other forms of taxation, have disturbed business in various ways, and imposed burdens which increase considerably the costs of manufacturing, the Canadian Manufacturers' tariff committee is able to state that no objections were made by the manufacturers to these necessary measures for raising revenue. On the contrary, manufacturers were glad to have the opportunity to contribute their share of the burdens which the government found it necessary to impose for the purpose of maintaining the revenues and of assisting the mother country in the task of carrying the war to a successful conclusion.

Not Passing Along Taxation.

It has been stated that all this additional taxation is being passed on by the manufacturers to the consumers by making corresponding advances in the prices of their products. Such a statement is not warranted, says the committee's report, and overlooks the fact that contracts and trade usages, in numerous lines of manufacture, render it practically impossible for the manufacturer to make such advances. Where prices have been advanced an analysis of the facts will prove in most cases that such advances were the result of scarcity of supplies. We believe it to be the outstanding fact that the general policy of manufacturers has been not to increase prices unless special conditions made such action imperative. The amount of protection afforded to Canadian products by the customs war tariff has been greatly exaggerated. A taxation measure which increases the cost of the manufacturers' raw materials, factory equipment, and fuel for power development, by 7½ per cent. and augments overhead costs with taxes on commercial paper and the like, and then adds in many cases only 5 per cent. to the protection afforded finished products, does not take things very far from where they were before the tariff was changed. The report continues:—

German Conventional Tariff.

One of the most important subjects which your committee had cause to study during the year was a suggestion for the extension to Canada of Germany's conventional tariff rates conditional on Canada extending to Germany the tariff concessions enjoyed by France under the French treaty. In connection with such suggestion it was intimated that, failing some satisfactory arrangement along the foregoing lines, Germany would withdraw from Canada the right to her conventional tariff rates in a limited range of articles which she had granted to Canada in consideration of our removing the surtax on German goods. The outbreak of the war and the consequent discontinuance of business with Germany would really make it unnecessary to refer in detail to the matter at all; but, at the same time, it may be of general interest to show how one-sided a bargain Germany wanted to drive with Canada. Investigation of the trade between the two countries showed that the advantage of Germany's conventional tariff would not materially encourage the extension of Canada's foreign trade with Germany, but, on the other hand, that Germany's trade with Canada would be substantially assisted if her goods were permitted to enter this country under the low rates of duty applying under the French treaty.

Figures furnished by the trade and commerce department at Ottawa showed that our principal duti-

able exports to Germany consisted of oats, wheat bran, wheat flour, lobsters and agricultural machinery, to which Germany's best conventional tariff rates already applied. Examples of Germany's lowest conventional tariff rates on our likely exports of products dutiable under her tariff follow:—

Wheat, 35 6-10c. per bushel; bran, \$22 per ton of 2,000 lbs.; flour, \$2.20 per barrel; oats, 18½c. per bushel; barley, 20 8-10c. per bushel; lobsters, 7 2-100c. per lb.; salmon, 8 1-10c. per lb.; bacon, \$3.78 per 100 lbs.; condensed milk with sugar, \$6.48 per 100 lbs.

In view of these German conventional tariff rates, which, according to ideas on this continent, are very high duties, and which, nevertheless, were the lowest special treaty rates of duty extended to any country by Germany, your committee reported, at its meeting on July 20th, 1914, that the proposal would be detrimental to Canada.

HANDLING OF WAR ORDERS

Manufacturers Communicated With Premier Borden Regarding the Matter—Industrial Research

The Canadian Manufacturers' Association, it seems, were not satisfied last year with the way war orders were handled. On October 23rd a letter was addressed to the premier, pointing out that the method of handling war orders was giving rise to a good deal of dissatisfaction. He was informed that, making all due allowance for the fact that some manufacturers might not have had the necessary equipment and that others might not have been able to guarantee satisfactory deliveries, it was apparently true that some had more than their share of business, while others had gone without. In some quarters the impression seemed to prevail that war material could not be sold to the government on its merits, but only through influence, and it was accordingly suggested to the premier that the business should be thrown wider open, and placed as far as possible with manufacturers or producers direct, instead of through middlemen, thus ensuring competitive prices and at the same time giving the government the satisfaction of dealing with responsible parties.

Some of the Suggestions.

As a means of giving effect to such a policy, the following constructive suggestions were submitted by the Manufacturers' Association:—

- (1) That all the requirements of the various departments of the government, whether for ordinary or special war purposes, should be advertised, and interested manufacturers invited to tender on their supply.
- (2) That a permanent government sample-room should be opened at Ottawa, with possibly branch sample-rooms in other points, such as Montreal, Toronto, etc., where as far as practicable samples of all goods required would be available for the inspection of contractors.
- (3) That in charge of each sample-room there should be an officer to supply enquirers with full information as to any kind of government requirements.

Preference to Canadian Products.

(4) That in the awarding of contracts it should be a standing rule that preference be given in every case, other things being equal, to Canadian products.

(5) That generally speaking, the policy pursued should be frank and open so as to induce Canadian contractors to quote on any lines they might be capable of producing.

Inquiry by the Canadian Manufacturers' Association as to the reason for Canada's failure to secure at first a share of war orders of the allies elicited the explanation from army buyers that very few of our manufacturing establishments had a capacity large enough to be attractive to them. They were commissioned to purchase huge quantities of supplies and to obtain quick deliveries, and they naturally had to confine their negotiations to firms of the first magnitude.

To meet this situation an effort was made to organize Canadian manufacturers in certain lines of production, so as to be able to offer buyers the combined capacity of a